MANITOBA 2002

> BUDGET IN BRIEF

WHAT MANITOBA'S BUDGET 2002 MEANS TO YOU

MEETING TODAY'S CHALLENGES.
BUILDING FOR THE FUTURE.

102-0446

MESSAGE FROM THE MINISTER OF FINANCE

ON APRIL 22 I INTRODUCED BUDGET 2002, A BALANCED FINANCIAL PLAN FOCUSED ON CLEAR PRIORITIES FOR CHALLENGING TIMES:

- education
- health care
- families and communities
- a clean, safe environment
- building the economy

This is a year for cautious optimism and wise decisions. While the outlook for Manitoba is promising, the tragic events of September 11 have added a cloud of economic uncertainty.

Also, Manitoba has the extra challenge of a federal accounting error, which is having a real impact on the province's fiscal situation.

Fortunately, through prudent decisions, our government has been able to avoid extreme measures like massive program cuts, deficits or reversing tax cuts.

I'm also pleased to report that Budget 2002 meets the test of Balanced Budget Legislation. I invite you to find out more about Budget 2002 and these important decisions that affect you and your family. Visit our Web site at **www.budget2002.mb.ca**

Greg Selinger

GREG SELINGER
Minister of Finance

BUILDING SAFE, VIBRANT COMMUNITIES

For the first time in a decade, property values are rising in inner-city neighbourhoods. Budget 2002 continues to provide more options for better lives and healthier communities.

- Support will continue for successful revitalization programs like Building Communities, Neighbourhoods Alive! and the Winnipeg Housing and Homelessness Initiative.
- Increased policing will counter street gangs, organized crime, theft and drunk driving.
- The Lighthouses program will be expanded to Brandon to give youth positive options for their free time.
- Continuing support for workplace safety inspectors and a full-time prosecutor for workplace safety violations.

PROTECTING OUR RESOURCES AND KEEPING WATER SAFE

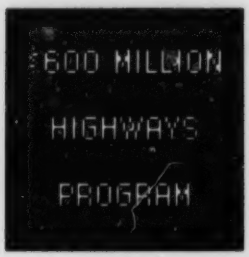
Budget 2002 places a high priority on drinking water safety, protecting our precious natural assets and strengthening stewardship of our land.

- More resources will be dedicated to drinking water inspection, monitoring and support for local infrastructure.
- Sustainable development will be encouraged, including ethanol promotion and the protection of forests, waterways and shorelands.
- Drainage projects will receive $10.1 million in support, up $1.7 million in just two years.
- Our clean hydro power offers Manitobans the lowest electricity rates in North America and a new initiative will foster wind, geothermal and biomass projects.

MAKING THE MOST OF ECONOMIC OPPORTUNITIES

Budget 2002 builds on solid economic performance, including above the national average growth in GDP and the second lowest unemployment rate in the country.

- R&D support will spur on advances in biotechnology, cardiovascular care and nutraceuticals.
- Continued investment in venture financing pools will help Manitoba companies pursue new opportunities.
- Programs to augment our skilled workforce by assisting immigrants will receive $6.2 million in funding.



- Our Hydro Advantage will be expanded by investing in the new Wuskwatim generating station and merging Manitoba's two hydro utilities.
- Vital infrastructure will be stengthened with a five-year, $600 million highways program.
- Improvements to crop insurance, new value-added processing opportunities and innovative programs will strengthen rural Manitoba.
- Further support will expand our emerging new media industry.
- A new 10% tax credit will promote mining exploration.
- $40 million has been earmarked for Floodway expansion.

INVESTING IN OUR FUTURE

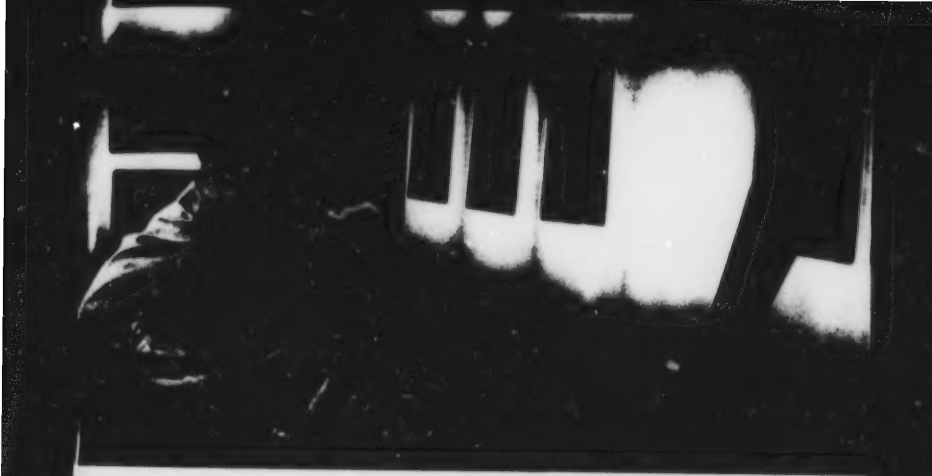
Education is the foundation of our future. Over the past two years enrollments have increased by 12 per cent at colleges and universities. With the added support of Budget 2002, funding for public school education now reaches $1 billion.

- University and college tuition fees will remain 10% lower than they were in 1999.
- Almost $16 million in bursaries, scholarships and grants will provide greater access to post-secondary education.
- Reduced administration costs will channel more money into the classroom.
- The province will fund 76% of the cost of public school education.

SUPPORT FOR MANITOBA FAMILIES

Budget 2002 encourages a better start in life by building on the accomplishments of Healthy Child Manitoba. Funding for child care alone has increased by $16 million over the past three years.

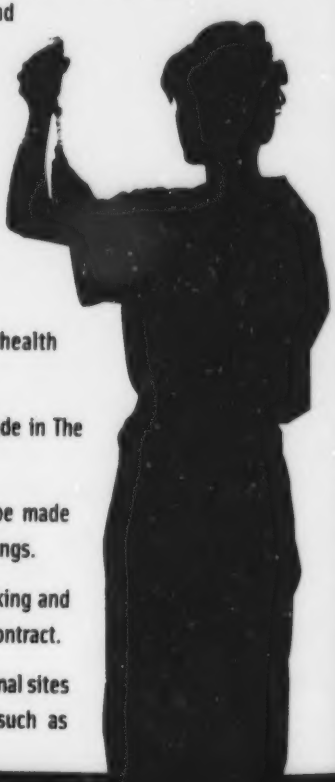
- Effective January 2003, families on assistance with children under 12 will receive the full National Child Benefit.
- A new five-year plan will put affordable, high-quality child care within reach of more families.
- The Healthy Schools pilot program will better link public health services with local schools.
- Parent Child Centres, healthy pregnancy and fetal alcohol prevention programs will expand.
- The Aboriginal Child Welfare Initiative will receive additional support.



BETTER HEALTH CARE FOR ALL

Most Manitobans want health care service based on medical need, not ability to pay. Budget 2002 responds with innovative solutions and $2.8 billion in funding.

- Hospital improvements will add new dialysis facilities at Seven Oaks, more surgery capacity in rural and northern centres, better emergency services at Victoria and improved critical care in Brandon.
- The largest health capital project in Manitoba history will modernize and upgrade Health Sciences Centre.
- Support for Pharmacare is increased by 26% and adjustments to Pharmacare deductibles will also be introduced.
- New support for community mental health initiatives.
- Obstetrical services will get a major upgrade in The Pas.
- New innovative ultrasound services will be made available in community, non-hospital settings.
- Tobacco taxes increase to discourage smoking and help offset the cost of the recent nurses' contract.
- Provinces are joining forces to create regional sites of excellence for advanced treatment, such as high-tech gamma knife neurosurgery.



ON TRACK

A three per cent increase in personal income tax credits will save Manitobans $15 million.

The Education Support Levy will be cut 10% this year and a five-year phase-out plan has been introduced.

The rate for the middle income tax bracket decreases to 15.4% this year and 14.9% next year. The threshold increases from $61,089 to $65,000.

The $400 Education Property Tax Credit has been increased by $150 over the last two years.

In 2003, on top of a 37.5% tax rate reduction, small businesses won't move into the large business tax bracket until they earn more than $320,000. By 2005, that threshold will increase to $400,000.

WHAT THE TAX REDUCTIONS MEAN FOR YOU

FAMILY OF FOUR, TWO EARNERS, INCOME: $60, 000

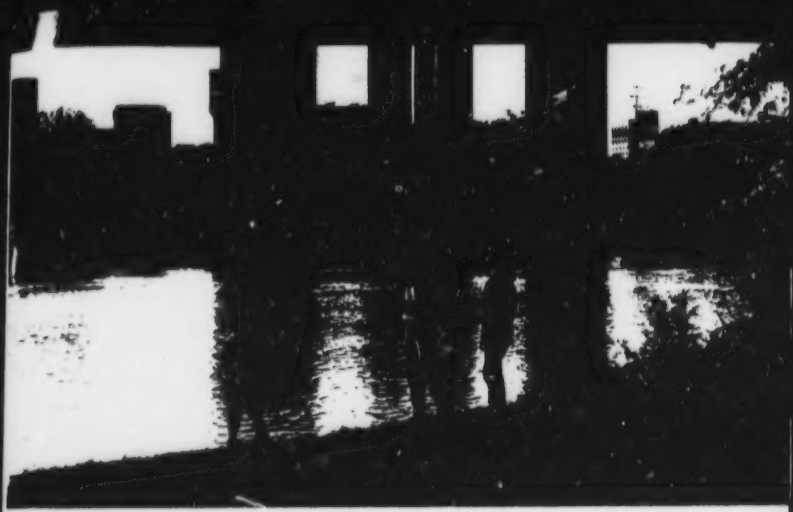
2002 TAX REDUCTIONS*

Personal Income Tax decrease	$654
Education Property Tax Credit increase	$150
Education Support Levy decrease	$50
Total provincial tax reduction	**$854**

A 16% SAVING

*Compared to 1999 taxes.

Look for the Personal Tax Savings Estimator on the Manitoba Budget Web site: www.budget2002.mb.ca



BALANCING THE BOOKS IN UNCERTAIN TIMES

Like other provinces, Manitoba has to deal with some tough financial challenges. A slow North American economy significantly reduced revenues – especially corporate income tax. In Manitoba, we must also deal with the fiscal impact of a major federal accounting error.

And yet, this budget is balanced and keeps our long-term plan on track — no broad-based cuts and no delays in our tax relief strategy or debt payment plan.

Here's how the 2002 budget will help bridge between current uncertainty and a promising outlook:

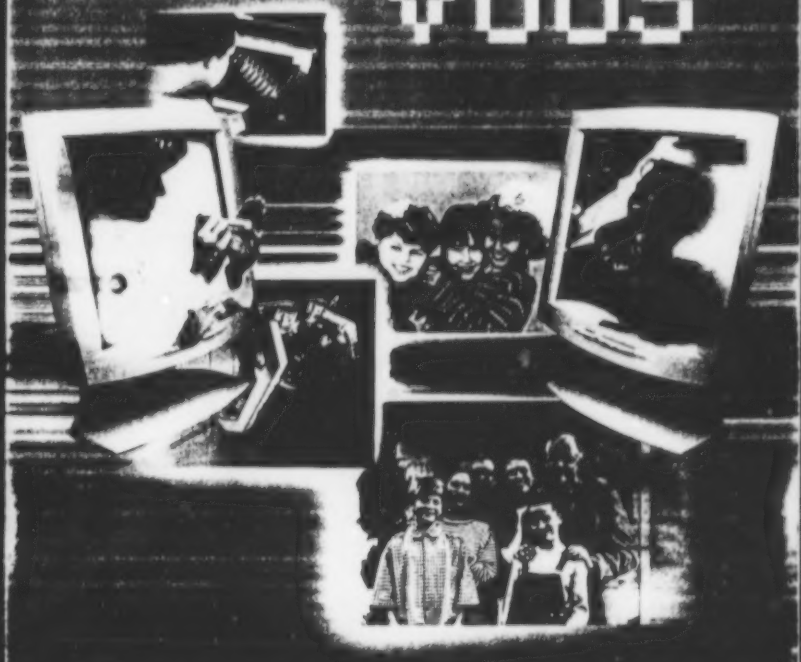
- Only priority areas will get an increase — most departments will see budget reductions.
- The overall spending increase is just 2.5% — the lowest budget-to-budget increase in five years.
- Departments have been directed to cut back discretionary spending.
- Strong debt management will save $20 million this year.
- A portion of Manitoba Hydro's large U.S. export profits will be accessed to support vital public programs.
- Staff costs will be reduced through overtime reductions and a stronger vacancy management policy.
- $96 million will be provided for debt payment – for the third consecutive year.

TO FIND OUT MORE ABOUT BUDGET 2002, VISIT OUR WEB SITE: www.budget2002.mb.ca
OR WRITE:
Minister of Finance, B-2002, Room 11, Legislative Building,
450 Broadway, Winnipeg, MB R3C 0V8

MANITOBA 2002

> BUDGET EN BREF

CE QUE LE BUDGET 2002 DU MANITOBA SIGNIFIE POUR VOUS



RELEVER LES
DÉFIS D'AUJOURD'HUI.
BÂTIR L'AVENIR.

MESSAGE du MINISTRE DES FINANCES

LE 22 AVRIL, J'AI PRÉSENTÉ LE BUDGET 2002, UN PLAN FINANCIER ÉQUILIBRÉ ET AXÉ SUR DES PRIORITÉS CLAIRES FACE À UNE PÉRIODE DIFFICILE :

- l'éducation;
- la santé;
- les familles et les communautés;
- un environnement propre et protégé;
- la consolidation de l'économie.

Cette année sera marquée par un optimisme prudent et des décisions réfléchies. L'avenir du Manitoba s'annonce prometteur, mais les événements tragiques du 11 septembre ont assombri l'économie d'incertitude.

La situation du Manitoba s'est encore compliquée avec la découverte de l'erreur comptable du gouvernement fédéral, dont les répercussions sur la situation financière de notre province sont importantes.

Heureusement, grâce à des décisions réfléchies, notre gouvernement a réussi à éviter les mesures extrêmes telles que les coupes dans les programmes, le déficit ou l'annulation des réductions d'impôt.

Je suis heureux d'annoncer que le Budget 2002 répond aux critères des mesures législatives sur l'équilibre budgétaire. Je vous convie à en apprendre davantage sur le Budget 2002 et sur ces décisions importantes qui vous concernent, vous et votre famille en consultant notre site Web : **www.budget2002.mb.ca**

Greg Selinger

Greg Selinger
Ministre des Finances

BÂTIR DES COMMUNAUTÉS SÛRES ET DYNAMIQUES

Pour la première fois en dix ans, la valeur des propriétés dans les quartiers du centre-ville commence à augmenter. Le Budget 2002 continue à offrir davantage d'options pour améliorer la vie et la santé des habitants et des communautés du Manitoba.

- Le financement accordé aux programmes de revitalisation réussis tels que les initiatives Renforcement des collectivités, Quartiers vivants et Logement et Sans-abri de Winnipeg continuera.
- Une présence policière accrue permettra de mieux combattre les bandes de rue, le crime organisé, les vols et la conduite avec facultés affaiblies.
- Le programme Lighthouse sera élargi à Brandon afin de donner aux jeunes des moyens constructifs d'employer leur temps libre.
- Nous continuerons à fournir le soutien nécessaire pour l'embauche d'inspecteurs d'hygiène et de sécurité au travail, et l'emploi d'un procureur de la Couronne à temps plein.

PROTÉGER NOS RESSOURCES ET NOTRE EAU POTABLE

Le Budget 2002 accorde une priorité importante à la protection de l'eau potable et de nos précieuses ressources naturelles, ainsi qu'à l'aménagement de nos terres agricoles.

- Davantage de ressources seront consacrées à l'inspection et à la surveillance de l'eau potable, ainsi qu'au soutien des infrastructures locales.
- On encouragera le développement durable, notamment l'utilisation de l'éthanol et la protection des forêts, des eaux navigables et des berges de nos cours d'eau.
- Un total de 10,1 millions de dollars sera consacré aux projets de drainage, soit une augmentation de 1,7 million de dollars en deux ans seulement.
- Grâce à notre énergie hydroélectrique propre, la population du Manitoba bénéficie des tarifs d'électricité les plus bas en Amérique du Nord, et une nouvelle initiative encouragera les projets d'exploitation de sources d'énergie telles que le vent, la biomasse, l'hydrogène et l'énergie géothermique.

PROFITER AU MIEUX DES POSSIBILITÉS ÉCONOMIQUES

Le Budget 2002 repose sur une performance économique provinciale solide, qui présente notamment un taux de croissance du PIB supérieur au taux national et un taux de chômage au deuxième rang des taux les plus bas au Canada.

- Le financement accordé aux programmes de recherche et développement encouragera les progrès dans les domaines de la biotechnologie, des soins cardiovasculaires et des aliments fonctionnels.
- La poursuite des investissements dans les fonds de capital de risque permettra aux sociétés manitobaines de profiter des nouvelles opportunités.
- Un financement de 6,2 millions de dollars sera consacré aux programmes visant à augmenter notre main-d'œuvre compétente en aidant les immigrants.

600 MILLIONS DE DOLLARS POUR LA CONSTRUCTION DE ROUTES

- Nous améliorerons notre avantage hydroélectrique en investissant dans la nouvelle station génératrice de Wuskwatim et en fusionnant les deux services publics d'électricité.
- Les infrastructures essentielles seront consolidées grâce à un programme de construction de routes dont le financement sera de 600 millions de dollars sur cinq ans.
- Les améliorations apportées à l'assurance-récolte, les nouvelles possibilités de transformation à valeur ajoutée et les programmes novateurs renforceront la situation des communautés rurales.
- Le financement supplémentaire accordé à l'industrie des nouveaux médias permettra à ce nouveau secteur de se développer davantage.
- Un nouveau crédit d'impôt de 10 % encouragera l'exploration minière.
- Quarante millions de dollars seront consacrés à l'élargissement du canal de dérivation de la rivière Rouge.

INVESTIR DANS NOTRE AVENIR

L'éducation est la base sur laquelle repose notre avenir. Au cours des deux dernières années, le nombre des inscriptions dans les collèges et les universités a augmenté de 12%. Grâce aux fonds supplémentaires prévus dans le Budget 2002, le financement accordé à l'éducation publique s'élève maintenant à un milliard de dollars.

- Les droits de scolarité dans les collèges et dans les universités demeurent de 10 % inférieurs à leur niveau de 1999.
- Près de 16 millions de dollars prévus en bourses d'études et subventions aux étudiants rendront la formation postsecondaire plus accessible.
- La réduction des coûts d'administration permettra de diriger davantage de fonds vers les salles de classe.
- La Province financera 76 % du coût des écoles publiques.

DU SOUTIEN POUR LES FAMILLES MANITOBAINES

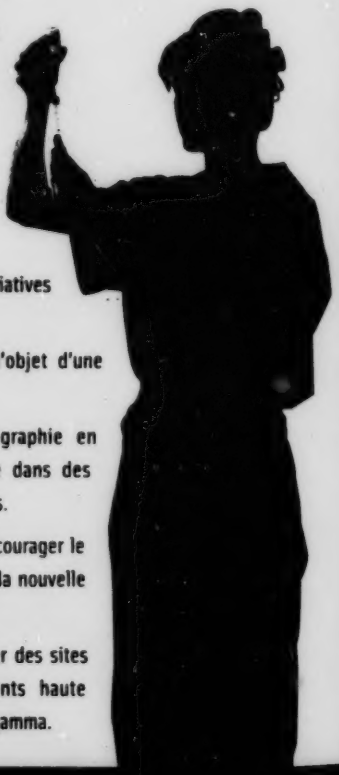
Le Budget 2002 encourage un meilleur départ dans la vie grâce aux réalisations d'Enfants en Santé Manitoba. À lui seul, le financement accordé aux soins des enfants a augmenté de 16 millions de dollars au cours des trois dernières années.

- À partir de janvier 2003, les familles qui reçoivent une aide financière et ont des enfants de moins de 12 ans recevront la totalité de la Prestation nationale pour enfants.
- Un nouveau plan sur 5 ans permettra à davantage de familles de profiter des soins de qualité aux enfants.
- Le programme pilote Santé à l'école permettra d'améliorer le lien entre les services publics de santé et les écoles locales.
- Les programmes de centres parents-enfants, de soins pendant la grossesse et de prévention du syndrome d'alcoolisme fœtal seront élargis.
- Du financement supplémentaire sera accordé à l'Initiative de protection de l'enfance pour les Autochtones.

UN MEILLEUR SYSTÈME DE SOINS DE SANTÉ POUR TOUS

La majorité des Manitobains et des Manitobaines réclament un système de soins de santé fondé sur leurs besoins et non sur leurs moyens. Le Budget 2002 répond à cette demande avec des solutions novatrices et un financement de 2,8 milliards de dollars.

- Des améliorations de l'infrastructure hospitalière permettront l'addition de services de dialyse à l'hôpital Seven Oaks, une augmentation de la capacité chirurgicale dans les centres des régions rurales et du Nord, ainsi que l'amélioration des services d'urgence à l'hôpital Victoria et de soins intensifs à Brandon.
- La mise en œuvre du plus grand projet d'immobilisations de l'histoire du Manitoba dans le domaine de la santé permettra de moderniser le Centre des sciences de la santé.
- Le financement consacré à l'assurance-médicaments augmente de 26 % et les franchises seront ajustées.
- De nouveaux fonds seront consacrés aux initiatives communautaires de santé mentale.
- Le service d'obstétrique de The Pas fera l'objet d'une modernisation importante.
- De nouveaux services innovateurs d'échographie en consultation externe seront mis en œuvre dans des installations communautaires non hospitalières.
- Les taxes sur le tabac augmentent afin de décourager le tabagisme et d'aider à compenser le coût de la nouvelle entente signée par le personnel infirmier.
- Les provinces joignent leurs forces pour créer des sites régionaux d'excellence pour les traitements haute technologie, tels la neurochirurgie au scalpel gamma.



DES RÉDUCTIONS D'IMPÔTS

- Une augmentation de 3 % des crédits d'impôt sur le revenu permettra aux Manitobains et aux Manitobaines d'économiser 15 millions de dollars.
- La taxe d'aide à l'éducation sera réduite de 10 % cette année et il est maintenant prévu de l'éliminer sur 5 ans.
- Le taux de prélèvement pour la tranche d'imposition intermédiaire passera à 15,4 % cette année et à 14,9 % l'année prochaine. Le seuil d'imposition passera de 61 089 dollars à 65 000 dollars.
- Le crédit d'impôt foncier en matière d'éducation, qui s'élève à 400 $, a augmenté de 150 $ au cours des deux dernières années.
- En 2003, les petites entreprises bénéficieront d'une réduction de 37,5 % de leur taux d'imposition, et le plafond de leurs bénéfices imposables sera fixé à 320 000 dollars. Ce plafond sera élevé à 400 000 $ d'ici 2005.

CE QUE CES RÉDUCTIONS D'IMPÔT SIGNIFIENT POUR VOUS

FAMILLE [illegible] DEUX REVENUS REVENU TOTAL : 60 000 $

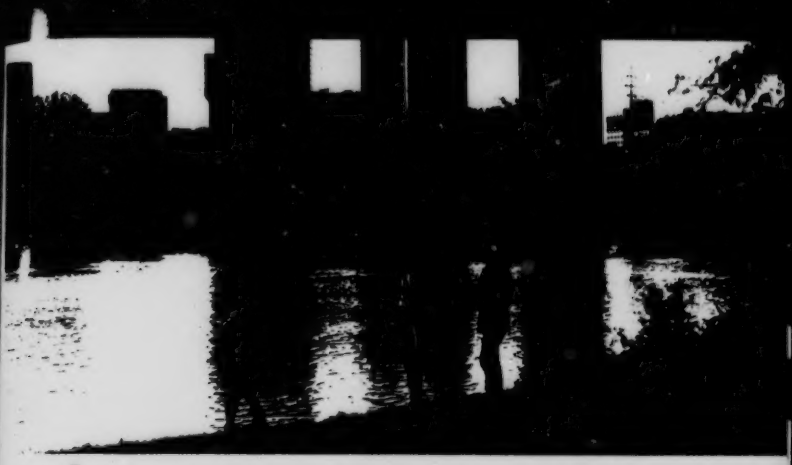
RÉDUCTIONS D'IMPÔT EN 2002*

Baisse de l'impôt sur le revenu des particuliers	654 $
Augmentation du crédit d'impôt foncier en matière d'éducation	150 $
Baisse de la taxe d'aide à l'éducation	50 $
Total des réductions d'impôt provinciales	**854 $**

[illegible] DE 15 %

* Par rapport à 1999.

Consultez le Calculateur d'économies d'impôt personnel du site Web du Budget du Manitoba : www.budget2002.mb.ca



ÉQUILIBRER LES COMPTES
EN CETTE PÉRIODE D'INCERTITUDE

Comme d'autres provinces, le Manitoba fait face à des défis financiers difficiles.

Le ralentissement de l'économie nord-américaine a provoqué une réduction importante des recettes, notamment de celles provenant de l'imposition du revenu des entreprises. Au Manitoba, il nous faut aussi compter avec les répercussions financières d'une grave erreur comptable faite par le gouvernement fédéral.

En dépit de ces conditions, ce budget est équilibré et respecte notre plan à long terme : il ne prévoit ni vastes coupes ni ajournement des promesses d'allègement fiscal.

Le Budget 2002 fera la transition entre l'incertitude actuelle et un avenir que les spécialistes prévoient favorable, et ce, de la manière suivante :

- Seuls les secteurs prioritaires connaîtront une augmentation de leur financement. La plupart des ministères verront leur budget réduit.
- Au total, les dépenses prévues augmentent de 2,5 % seulement – la plus faible augmentation entre deux budgets consécutifs en 5 ans.
- Tous les ministères devront réduire leurs dépenses discrétionnaires.
- Une gestion agressive de la dette permettra d'économiser 20 millions de dollars cette année.
- Une partie des bénéfices résultant de l'exportation d'hydroélectricité vers les États-Unis sera utilisée pour financer des programmes publics essentiels.
- Les dépenses communes de personnel seront réduites en limitant les heures supplémentaires et en maintenant un taux de vacance plus élevé.
- Un total de 96 millions de dollars sera consacré au remboursement de la dette, pour la troisième année consécutive.

POUR EN SAVOIR PLUS SUR LE BUDGET 2002, CONSULTEZ NOTRE SITE WEB : www.budget2002.mb.ca

OU ÉCRIVEZ À L'ADRESSE SUIVANTE :
Ministre des Finances, B-2002, Palais législatif, bureau 11,
450 Broadway, Winnipeg (Manitoba) R3C 0V8

MANITOBA 2002

> BUDGET SPEECH

MEETING TODAY'S CHALLENGES.
BUILDING FOR THE FUTURE.

The 2002 Manitoba Budget Address

The Honourable Gregory F. Selinger
Minister of Finance
April 22, 2002

This document is
available on the Internet at:
http://www.gov.mb.ca/finance
Other information available at this site includes:
The 2002 Manitoba Budget Papers,
2002 Estimates of Expenditure,
2002 Estimates of Revenue,
The Manitoba Advantage,
the latest Quarterly Financial Report and
Highlights of Manitoba's Recent Economic Performance.

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THE 2002 MANITOBA BUDGET ADDRESS

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Also available

THE BUDGET PAPERS (in one volume)

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- Budget Paper D – Taxation Adjustments

THE MANITOBA ADVANTAGE

MEETING TODAY'S CHALLENGES BUILDING FOR THE FUTURE

Mr. Speaker, it is my honour to present the 2002 Manitoba Budget, a Budget that meets today's challenges while building for the future.

This Budget is balanced. This Budget focusses on the priorities of Manitobans in health, education and children's programs. This Budget fulfills our Government's long-term plan to pay down debt and reduce taxes.

Above all, this Budget maintains the conditions for future growth in Manitoba in the face of a unique set of challenges.

As we all know, this past year has been one of international upheaval and budgetary uncertainty. A global economic slowdown, which began in early 2001, was further intensified by the tragic events of September 11. Although Manitoba's economy proved more resilient than most, growth and revenue dropped sharply across several sectors.

In late January, our circumstances were complicated further by the disclosure of a federal accounting error dating back 30 years. Federal officials announced that, due to their error, Manitoba received $408 million in income tax overpayments between 1993 and 1999. The impact of this error is still being felt for the 2000, 2001 and 2002 tax years.

On the other hand, Manitobans have tremendous confidence for the future. Our housing market is strong, and our economy is growing faster than many other provinces.

In this Budget, we take steps to bring stability and predictability to an uncertain fiscal environment. Until revenue rebounds and the full effects of the federal error are absorbed, this Budget will act as a stabilizer, bridging between the current uncertainty and the positive future forecasters predict for Manitoba.

This Budget will act as a stabilizer, bridging between the current uncertainty and the positive future forecasters predict for Manitoba.

To meet the challenges of maintaining stability and predictability, our Government faced many difficult choices.

They have been made in a spirit of fairness.

Overall, spending increases in this Budget total 2.5 percent. Most departmental budgets are reduced from last year's levels. In priority areas, Government is finding better, more cost-effective ways to manage resources.

Government debt costs are a further $20 million lower than last year's actuals. Across Government, our vacancy rate target is six percent.

We continue to provide needed support for health, education and programs for children and families. In today's Budget, you will not find broad-based program cuts, increases in major taxes, delays in promised tax relief or the cancellation of debt retirement allocations.

Our Government is committed to building Manitoba's affordability advantage. Over three years, we have maintained a 10 percent reduction in post-secondary tuition fees, and implemented a plan for reductions in personal and business taxes.

We see an increase in post-secondary enrolment that bodes well for the future, as well as an economy that has demonstrated resilience in the face of a global slowdown.

This Budget will keep us on track for stable economic growth:

- our unemployment rate remains the second-lowest in the country;
- downtown Winnipeg is undergoing a major revitalization;
- there is strong momentum toward continued economic diversification in rural Manitoba; and
- there are new investments in the North.

Manitobans can take pride in their accomplishments. I would like to express my sincere thanks for their counsel, vision and support. Together, we are meeting today's challenges while building for the future.

Government of Manitoba's Support for Public Education

2001/02

	Total Expenditure on Public Education	Provincial Contribution	Provincial Contribution
	(Millions of Dollars)		(%)
Operating fund	1,303.1	771.8	59.2
Capital (principal and interest)	75.7	75.7	100.0
Education Property Tax Credit	n/a	173.6	100.0
Pensioners' School Tax Assistance	n/a	3.8	100.0
Employers' share of teachers' pensions	82.6	82.6	100.0
Total Expenditures	1,461.4	1,107.5	75.8

Sources: FRAME Report; Manitoba Education, Training and Youth
n/a not applicable

INVESTING IN MANITOBA'S FUTURE

We firmly believe that we cannot have an effective economic strategy without a strong education strategy. Jurisdictions that invest in education will be the ones to succeed in this new century.

Manitoba will continue to evolve into a learning society. Even in difficult times, our commitment to public schools and post-secondary education is strong.

We are honouring our pledge to fund Manitoba schools at the rate of economic growth. Total support for public education now exceeds $1 billion.

Today, more resources are being channelled into the classroom for the benefit of Manitoba's young people, and our province's collective future.

We are reducing administrative costs at the public school level – decreasing by one-third the number of school divisions in the province. As well, we have made the school funding formula simpler and more equitable.

This Budget continues to address the infrastructure deficit at our public schools and post-secondary institutions that accumulated during the 1990s. Our public schools are benefiting from major new investments in buildings and repairs. There are new construction projects on virtually every campus as our colleges and universities rebuild with over $100 million in Provincial investments and $97 million in matching private sector investment.

Our goal is to put a college or university education within reach of every young person who meets the entrance requirement.

Results to date have been impressive. Over the last two years, enrolments have increased by almost 12 percent at colleges and universities.

I am pleased to announce today that we will continue to build on this success. General tuition fees for Manitoba students will remain 10 percent lower than they were in 1999. In addition, we are enhancing support to post-secondary education through:

- increasing operating grants to universities and colleges;
- providing more college spaces through the College Expansion Initiative; and
- providing almost $16 million in bursary, scholarship and study grants.

Other changes to post-secondary education support we are making are based on input from students, parents and educators – including the end of the Learning Tax Credit. This change is offset by improvements we made in non-refundable tax credits and bursaries in 2000 and extra tax credit support in the 2001 federal budget.

In short, investing in Manitoba minds to benefit the future of all Manitobans remains a top priority of this Government.

HEALTH CARE: CHALLENGES, ACHIEVEMENTS AND CHOICES

Since we came to office in 1999, Manitobans have given us a clear and consistent message on health care. They know change and innovation are necessary. Manitobans also demand a system that delivers health care based on medical need, not ability to pay. This was evident during the Health Choices consultation undertaken by my colleague, the Minister of Health.

There are tremendous budgetary pressures caused by increasing service requirements, rising cost of services, increased demand for new technologies and a significantly reduced level of funding for health care by the federal government.

For example, health care now represents over 39 percent of our overall Budget. Ottawa's share of health care funding has fallen to 14 percent – a far cry from the principle of the original 50/50 Medicare partnership. As well, the federal promise of a national drug program has not materialized.

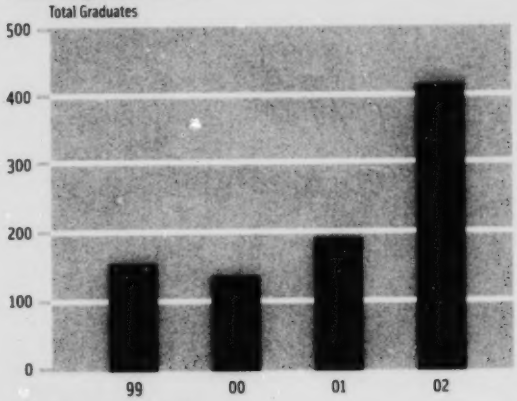
Manitobans also demand a system that delivers health care based on medical need, not ability to pay.

Balancing Manitobans' needs with these national pressures is one of our greatest challenges.

Mr. Speaker, while we are reinforcing support for health care in Budget 2002 with an increase in funding to a total of $2.8 billion, we continue to find ways to deliver services even more cost-effectively and efficiently.

We are developing innovative approaches to reducing costs within the non-profit health system, as seen in the conversion of the Pan Am Clinic into a non-profit facility. This approach is now being examined as a model for innovation across Canada.

Nursing Graduates



Source: Manitoba Health

New Telehealth video technology is up and running at 18 sites across the province, bringing medical specialists closer to home for thousands of Manitobans in a cost-effective way. This means a child in Thompson will be able to see a specialist in Winnipeg without leaving the support of family and community.

We previously cut administrative costs by amalgamating the Winnipeg health authorities. We are

seeking greater efficiency and co-operation through further health authority amalgamations and other administrative savings.

We have invested wisely in preventive measures such as flu vaccinations and children's asthma education, significantly reducing emergency room admissions.

We are also directing more of our resources to patient care by fostering greater institutional and regional co-operation. In addition, we will initiate new partnerships with other provinces to deliver specialized services on a regional basis.

New Telehealth video technology is up and running at 18 sites across the province, bringing medical specialists closer to home for thousands of Manitobans in a cost-effective way.

At the same time, our investment in a stronger health system provides significant resources for the training and retention of health professionals. People are the heart of health care. In fact, 70 percent of health care costs are wages.

Thanks to the re-introduction of the diploma nursing program and a strong university degree program, more than 400 nursing graduates will enter the workforce this year. We have recently negotiated a new contract with nurses to ensure they are paid a fair and competitive wage.

As well, in partnership with nurses and health authorities, we are improving working conditions and creating more full-time opportunities for nurses.

A new student grant system is already providing support for over 150 future doctors committed to staying in Manitoba. We have introduced the Family Doctor Connection, linking more Manitobans to doctors. It has received over 9,000 calls since its launch in January. Ninety-eight more medical specialists have been successfully recruited to our province since we took office.

We have invested over $300 million in capital upgrades for smarter, more cost-effective health care. At the Brandon Regional Health Centre, we are modernizing to provide for more day surgeries and outpatient services, meaning fewer costly hospital stays. In Gimli, at the Johnson Memorial Hospital, new investment will help deliver a broader community-based approach to health delivery through adult day programming and a community resource centre.

We have invested $73 million for needed equipment and expanded hours of operation. In addition to equipment like MRIs, we are investing in leading-edge technology – like the gamma knife – which will make us the regional centre of excellence for this new, less-intrusive neurosurgical procedure.

Public, non-profit health care is an important competitive advantage for our businesses. Last year,

the cost of employee health care for small business in the United States was forecast to jump 15 to 20 percent – that's on top of annual 10 to 12 percent increases over the previous three years, according to the U.S. National Federation of Independent Business.

Some of the initiatives supported by this year's health care budget include:

- starting the largest health capital project in Manitoba history at the Health Sciences Centre – expanding, modernizing, and providing new health technology;
- boosting support for CancerCare Manitoba;
- expanding and upgrading the obstetrical unit in The Pas with a $500,000 investment;
- making better use of rural and northern surgical capacity to reduce surgical wait times for elective procedures;
- introducing new community mental health measures;
- launching a $5.5 million overhaul of emergency and cancer care services at Victoria General Hospital; and
- establishing new ultrasound services outside hospitals.

Budget 2002 also adds resources for health authorities, community health services, home care, emergency response and transportation, as well as long-term and acute-care services.

One of the greatest pressures we face is in the area of drug costs. Over the past five years, the Provincial Pharmacare budget has almost doubled. This year alone, Pharmacare costs increase 26 percent to $136 million. Unfortunately, the federal commitment to a national Pharmacare program is still unfulfilled and provinces can no longer do all the heavy lifting.

To help offset these costs, Pharmacare deductibles will increase by five percent. For the majority of beneficiaries, this will mean an increase in their deductible – between $1 and $5 per month. We will continue to work with other provinces on strategies to contain drug costs, such as a common formulary review process. We will also continue to press the federal government to live up to its responsibilities in supporting Medicare.

We are investing in leading-edge technology – like the gamma knife – which will make us the regional centre of excellence for this new, less-intrusive neurosurgical procedure.

Like other Western Provinces, we are raising tobacco taxes. A World Bank report states that, in the U.S., a 10 percent increase in price yields a six percent decrease in consumption for those in the 18 to 24 age group. And a new U.S. Center for Disease Control study shows each pack of cigarettes sold costs the economy more than $11 Cdn. in health costs and lost productivity.

Effective midnight tonight, the tobacco tax rate will increase from 9.6 cents to 14.5 cents per cigarette. The added resources will help offset the costs of the recent nurses' settlement and growth in medical expenses.

Budget 2002 recognizes that a strong health care system is dependent on innovation and co-operation. Building on success in these areas to deliver quality care will continue to be our priority.

STRENGTHENING FAMILIES

Healthy families and safe communities help build Manitoba's future.

Children supported at an early age do better in school, earn higher incomes later on, and are less likely to become involved in the justice system or rely on costly social services.

New investments in child care and in Healthy Child Manitoba throughout our mandate demonstrate our strong commitment to early childhood development. In the coming year, we will build on these investments by introducing a multi-year child-care plan that focusses on providing affordable, accessible quality care for children. In addition, we are continuing our investment in Healthy Child Manitoba by fully implementing the Healthy Baby program. Healthy Baby, the first program of its kind in Canada, is being copied in other jurisdictions.

Our very successful Parent Child Centre program currently involves 26 coalitions that are fostering support for early child initiatives throughout the province.

We will be piloting a new "Healthy Schools" program that will better link public health services with local schools, and we will continue to enhance important programs to prevent Fetal Alcohol Syndrome and Fetal Alcohol Effect.

Investments in Healthy Child now total $22 million. This is in addition to $16 million we have invested in child care since we took office. Total investment for early child development over our mandate has increased almost $40 million, which has been supported financially through a partnership with the federal government.

In addition, we have phased out the clawback of the National Child Benefit (NCB) for all families on assistance with children aged six and under. Today's Budget further reduces the NCB clawback: effective January 2003, all lower-income families with children under 12 will receive benefits.

Total investment for early child development over our mandate has increased almost $40 million.

Budget 2002 provides more support for the Aboriginal Child Welfare Initiative, bringing our total funding to $2.8 million. We will also be creating a separate office to serve as a focal point for disability related issues.

These supports will help us meet today's challenges, build for the future and strengthen Manitoba's families.

BUILDING SAFE, SECURE COMMUNITIES

When we first took office in 1999, many older urban neighbourhoods were in serious decline. Working with families, communities and other levels of government, we created programs like Neighbourhoods Alive! and the Winnipeg Housing and Homelessness Initiative (WHHI). The WHHI, for example, has contributed to the repair, rehabilitation or redevelopment of over 600 units in Winnipeg's inner city.

Today – for the first time in a decade – property values are beginning to rise in many of these neighbourhoods.

This Budget supports programs that aid community revitalization and prevent older neighbourhoods from deteriorating.

We are also targeting crime with increased policing to counter street gangs, organized crime, auto and property theft, and impaired driving. To keep kids out of gangs and off the streets, Budget 2002 also lends support for Lighthouses, offering youth safe, positive ways to spend free time.

We are expanding the number of offences covered under the Victims' Bill of Rights. New resources are being allocated for implementation of the Safer Communities and Neighbourhoods Act to deal with the disruption caused by booze cans, drug dens and prostitution in residential neighbourhoods.

Reducing crime is one important way to improve community safety – reducing workplace accidents is another way to keep Manitobans safe.

We recently received the Workplace Safety and Health Review Report, which is based on public consultations. We will move forward with measures aimed at implementing the recommendations to improve safety and reduce worker injuries.

We have already made significant progress.

- We added eight workplace health and safety inspectors – including one dedicated to the North.
- We dedicated a full-time Crown prosecutor for workplace safety violations.

Safer workplaces mean fewer injuries, increased job security, lower compensation costs for employers, and improved productivity.

We are also committed to ensuring safer communities by supporting safer drinking water in our province.

Today I am pleased to announce further support for drinking water quality initiatives. This means more resources dedicated to drinking water quality, better monitoring of test results, and new investments in drinking water systems for northern communities.

THE MANITOBA ECONOMY: STRENGTH IN DIVERSITY

Advances in health care, education and community development improve Manitobans' quality of life. So does a growing economy. Our ability to weather the recent turbulence is testament to the strength and diversity of our economy.

In this period of economic recovery, we will continue to make choices that are affordable and sustainable. There is ample proof that our approach is working, underlined by:

- Manitoba outperforming the country with 1.6% real growth in 2001 ;
- the second-lowest unemployment rate in the country;
- a historically high level of labour force participation – second-highest in Canada;
- a seven percent increase in commodity exports to the U.S.;
- a 17 percent increase in farm cash receipts compared to less than 10 percent for Canada as a whole;
- positive growth in manufacturing shipments at a time of slow or negative growth by our major trading partners; and
- an increase of 15 percent in housing starts, double that of Canada as a whole.

According to our survey of seven independent forecasters, Manitoba will again outperform most other provinces in 2002, with economic growth of two percent.

Manitobans continue to be confident in their futures, and are in a good position to take advantage of the economic recovery. TD Economics indicates Manitoba will be one of only three provinces to see an increase in real personal disposable income this year.

Canada Mortgage and Housing Corporation expects sales of existing homes will continue to rise, increasing 1.4 percent even as national sales are projected to decline.

According to our survey of seven independent forecasters, Manitoba will again outperform most other provinces in 2002.

Our optimism, however, is tempered by the need to address the federal accounting error and the uncertainty hanging over the global economy. Now, more than ever, investments in our economy must be focussed and strategic.

The Premier's Economic Advisory Council brings business, labour, Aboriginal and community leaders together to assist government in further developing strategies for the future.

As we have demonstrated, strong support will be there for education, health and community development. We are also fostering economic growth by:

- attracting more skilled workers to Manitoba through expanded immigration programs;
- helping businesses grow through research, innovation and capital investment;
- tapping Manitoba's potential for new hydro development; and

- renewing and enhancing infrastructure management, including the province's water resources.

Immigration

Increased immigration is necessary to meet today's challenges and build for a successful future. Manitoba is poised for stronger growth, thanks in part to the Provincial Nominee program, which brings high-demand skilled workers to Manitoba to help business compete in today's economy.

This past year, in partnership with the federal government, the program has grown to include 1,000 nominees and their families – a five-fold increase from when the program was initially introduced. Of the nominees surveyed, 90 percent said they are committed to continue living and working here in the province.

Budget 2002 allocates $6.2 million for the Manitoba Immigrant Integration program to ensure a successful transition to life here in Manitoba. We are committed to strengthening our pool of skilled labour through education and immigration, and by working in partnership with business, labour and the community.

Research and Innovation

Building for Manitoba's successful future requires an ongoing commitment to research and innovation, particularly in our key sectors like manufacturing, health industries, energy and agriculture. Manitoba's research and development spending relative to GDP is fourth-highest among the provinces.

We already boast a strong complement of innovative companies. For example, Manitoba is home to 37 biotechnology companies – one in ten Canadian biotechnology companies has operations in Manitoba.

Important additions to Manitoba's technology infrastructure announced recently include:

- the Industrial Partnership Facility at the National Research Council Institute for Biodiagnostics that will focus on leading-edge medical research, development and commercialization;
- the new $25 million I. H. Asper Clinical Research Institute that will provide a bridge between cardiovascular care and primary care, research and clinical testing;
- a $25 million state-of-the-art Functional Foods and Nutraceuticals Research Centre in SMARTpark at the University of Manitoba that will help identify Manitoba crops as candidates for higher value-added processing as functional foods.
- CancerCare Manitoba's new $3 million Breast Cancer Research and Diagnostic Centre that will solidify Winnipeg's reputation as a centre for advanced medical research.

In last year's Budget, we announced Provincial assistance to the new media industry in Manitoba. Consultations were completed last year, and I am pleased to announce that we will be providing further support to this emerging sector

Additionally, we will broaden the Manitoba Film and Video Production Tax Credit program, which has been

instrumental in developing the film industry in Manitoba over the past five years. New media film and video producers will now be better able to access the film tax credit.

Capital Investment

Our film industry is a good example of how Manitoba companies are successfully competing in the global marketplace.

In addition, witness the success of local firms like Vansco Electronics, which recently received the first annual Canadian Manufacturers and Exporters Excellence Award.

Crocus Investment Fund and ENSIS Growth Fund have combined assets of over $240 million. About 80 Manitoba companies have benefited from investments by these two Funds.

Major capital investments are planned for Manitoba in 2002.

- J. R. Simplot is investing $110 million in the first phase of a new potato processing facility in Portage La Prairie.
- Standard Aero Limited is building a $92 million repair facility designed to service the growing regional jet market.
- Biovail Corporation has announced an $11 million expansion to its Steinbach plant.
- Maple Leaf Distillers is undertaking a $6.4 million expansion.
- Air Canada and Manitoba-based Acsion Industries announced a strategic partnership that will create 270 jobs in our aerospace sector.

Our Government acted to ensure that Manitoba remains a leader in bus manufacturing. Working together with the federal government and the City of Winnipeg, we were able to protect jobs and a vital industry at New Flyer and Motor Coach Industries.

Recognizing the importance of access to growth capital, the Province assists the private sector in delivering venture financing to Manitoba companies. Crocus Investment Fund and ENSIS Growth Fund continue to be very popular with the investing public. These two labour-sponsored venture capital companies have combined assets of over $240 million. About 80 Manitoba companies have benefited from investments by these two Funds.

The Province has also made significant investments in privately managed capital pools. In December 2001, we announced the establishment of the $45 million Western Life Sciences Venture Fund. This new Fund will focus on one of Manitoba's prime areas of opportunity – the commercial development of health sciences research.

Our Hydro Advantage

Clearly, a major part of our Manitoba advantage is our hydro advantage. Our vast water resources and publicly owned and publicly accountable hydro utility are part of a tremendous legacy passed down to us. Investments in the Limestone Generating Station led to the tremendous growth in Hydro's export revenues.

Today, strong exports to the United States allow Manitoba residents and businesses to enjoy the lowest electricity prices in North America, which will continue into the future.

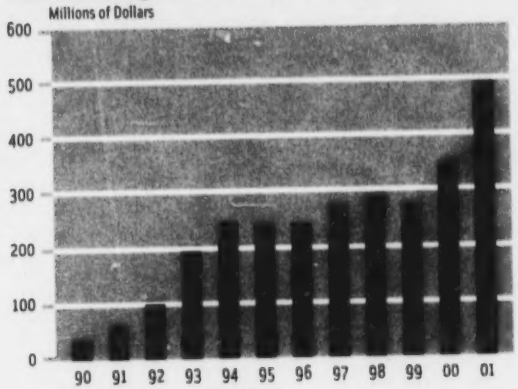
In fact, last year we took the historic step of equalizing rural and northern hydro rates to the same level as Winnipeg.

To date, about half of Manitoba's hydro-electric potential has been developed. Together with Manitoba Hydro, we are working on future projects.

Pending final approval, the Wuskwatim dam project will be constructed in partnership with the Nisichawayasihk Cree Nation (NCN). Apart from ensuring no significant environmental impacts in the project's design, the equity partnership will provide NCN a revenue stream for community and economic development. The NCN will build their own future with new economic tools derived from resources on their traditional lands. There are other projects being developed with First Nations that follow this innovative model.

Another exciting development is the agreement in principle for the sale of Winnipeg Hydro to Manitoba Hydro.

Manitoba Hydro U.S. Export Revenues



Source: Manitoba Hydro-Electric Board

Total Estimated Flood-Proofing Costs[1]

	1999/00	2000/01	2001/02	2002/03
		(Thousands of Dollars)		
Total Budgetary Expenditure	23,850.0	24,752.1	22,648.6	23,305.2
Total Recoveries from federal and local gov'ts.	(10,341.1)	(11,437.2)	(9,273.9)	(5,758.1)
Net Provincial Expenditure	13,508.9	13,314.9	13,374.7	17,547.1

Note 1: Net of Red River Floodway Renewal and Expansion.

This will:

- guarantee public ownership of Manitoba's power utilities into the future;
- provide a revenue stream for the City of Winnipeg;
- result in operational synergies; and
- augment Winnipeg's revitalization with a new 400,000-sq. ft. downtown office building.

Manitoba Hydro is financially sound. Manitobans will continue to have the lowest hydro rates in North America.

Flood Protection

Manitoba's vast water resources are a valuable asset, but do represent a challenge. Many Manitobans know first-hand the dangers of rising flood waters. Our Government remains strongly committed to new flood protection measures.

Since coming to office, we have improved the gates and entrance to the Red River Floodway, increasing its capacity by seven percent. We are also flood proofing individual homes and businesses outside ring-diked communities.

Over 1,600 projects have been undertaken, at an estimated cost of $60 million.

We are continuing to make strong investments in flood-proofing programs in Budget 2002.

The three levels of government commissioned a study of the two leading options for further flood protection – a detention structure in St. Agathe and an expanded Red River Floodway.

After a series of public meetings, the Clean Environment Commission's report to government strongly noted that the public wants to get on with the job of flood protection. This Government is committed, with the support of the Official Opposition, to an expanded Red River Floodway. For 2002/03, $40 million is provided for an expanded Floodway – $20 million from the operating budget and $20 million in capital authority.

Highways

Solid transportation infrastructure is essential for economic growth and raising our collective standard of living. Manitoba is home to many communities with unique and important transportation requirements. Transportation infrastructure must be there when it's needed.

For the first time, we are announcing a capital commitment of $600 million in highway construction expenditure over five years.

In 2001, after committing no resources to roads for five years, the federal government finally put funds toward highway construction in Manitoba. But, federal funding represents less than five percent of the money

they take out in gas taxes every year. Manitoba needs a stronger federal commitment to rebuild our highway system.

We need a long-term strategy to address our transportation needs. We will also be consulting with Manitobans on the long-term needs of our transportation system.

But, we are not waiting for the results of this process to act. In Budget 2002, we are increasing the highways construction budget by almost 16 percent to $120 million.

For the first time, we are announcing a capital commitment of $600 million in highway construction expenditure over five years.

RURAL COMMUNITIES

Our Government assists communities across the province to build for the next generation while meeting the challenges of today.

Better educational opportunities, lower hydro rates, reduced farm tax assessment rates, and improved drainage and watershed management have created a greater sense of hope and optimism in rural Manitoba.

We are taking action to increase support to rural Manitoba. One important tool is the Bridging Generations Initiative, an innovative land transfer program to help ease the transfer of family farms from one generation to the next.

To help Manitoba farmers take advantage of new crops or products, $42.4 million was allocated last year for 38 new diversification projects through The Manitoba Agricultural Credit Corporation's Diversification Loan Guarantee program. Another $7 million was put back in farmers' pockets by reducing the portion of farm property assessment from 30 to 26 percent. In addition, Manitoba Crop Insurance paid out $12.9 million last year under the Excessive Moisture Insurance program first introduced in 2000/01.

Our commitment of $6.3 million to the Prairie Grain Roads program has been a major factor in the improvement of farm infrastructure. We are also enhancing Manitoba's value-added processing capacity with a further investment in the Food Development Centre in Portage la Prairie.

The Province, in partnership with the University of Manitoba and Western Economic Diversification, is committed to the establishment of a $25 million state-of-the-art Functional Foods and Nutraceuticals Research Centre.

The Province, in partnership with the University of Manitoba and Western Economic Diversification, is

committed to the establishment of a $25 million state-of-the-art Functional Foods and Nutraceuticals Research Centre to be located in SMARTpark at U of M. This facility will be beneficial in identifying opportunities for Manitoba products to be processed into higher value-added functional foods.

Once again, our Government is committed to working with producers to offer safety net programs that better meet their needs. Budget 2002 ensures farmers have the tools to make farm management decisions, with better crop insurance coverage and innovative pilot programs.

The Rural Economic Development Initiative (REDI), in co-operation with Community Development Corporations, play an essential role in helping rural communities and organizations. REDI provides funding to create business opportunities for youth, support industry and develop infrastructure.

Through financial incentives and efforts to gain broader participation, most Manitoba municipalities are now involved in planning districts. Partnerships between municipalities and our Government to ensure sustainable management of water resources have been successful. The land area managed by organized conservation districts has grown by 40 percent since 1999.

Today, we are providing more resources for drainage projects in Manitoba communities, and support for livestock management initiatives that address water safety. Drainage is receiving $10.1 million in this Budget, up $1.7 million in the past two years.

Mr. Speaker, we are helping communities to meet the challenges of today, while building their social and economic infrastructure for the future.

URBAN INITIATIVES

Our urban centres are being transformed by a sustained period of growth and rejuvenation.

For example, through targeted investments and partnerships between the private sector and all levels of government, Winnipeg's position as a viable place for business investment has been strengthened.

A number of major projects are currently under way:

- the new downtown Red River College campus;
- the Millennium Library;
- Waterfront Drive in the Exchange District;
- the True North Entertainment complex;
- the Winnipeg Convention Centre; and
- upgrading of Main Street and the Provencher Bridge.

In addition to Neighbourhoods Alive! and the Winnipeg Housing and Homelessness Initiative, we have recently announced the $14 million Building Communities program, in partnership with the City of Winnipeg. It will fund a range of capital projects including improvements to community facilities and municipal infrastructure, the upgrading of housing and land acquisition in Winnipeg.

With the full participation of the City of Winnipeg, we have made a commitment to renewing the legislative framework guiding the City's operations.

We are already working with the capital region governments on mosquito larvaciding.

Brandon and Thompson are realizing tangible benefits through local neighbourhood renewal corporations, supported through Neighbourhoods Alive!. In February we announced an investment of $700,000 over five years toward community economic development, the revitalization of older neighbourhoods and community partnerships in these two cities.

Brandon has also received strong support in other areas:

- a $58 million capital construction project for the Brandon Regional Health Centre;
- a three-year, $250,000 per year operating and targeted capital commitment to the Keystone Centre;
- a $100,000 grant to Brandon University's Regional Development Institute;
- significant resources for the conversion, renovation and new construction of over 200 housing units for low- and moderate-income families; and
- new opportunities for children and youth through support for Lighthouses, a downtown day care and increased spaces at Assiniboine Community College.

Budget 2002 will maintain the level of funding available through the Provincial Municipal Tax Sharing program, despite the uncertainties of the federal error and a significant decrease in Corporate Income Tax revenue.

Mr. Speaker, vibrant urban centres attract investment and opportunity for all Manitobans. Our Government will continue to build the kind of partnerships with local governments and the private sector that have proven successful in the past.

NORTHERN AND ABORIGINAL COMMUNITIES

For many years we have looked to Northern Manitoba and acknowledged the tremendous untapped possibilities – such as enhanced eco-tourism initiatives – that will attract more adventure travellers and tourists to our province's northern region.

We have also seen the many challenges faced by Northerners, including transportation, sewage and water treatment and access to vital services.

Last fall, we launched the Northern Development Strategy – a long-term plan encompassing housing, health, transportation, employment and training, and economic development. Budget 2002 increases support for this Strategy.

Important strides have been made in the area of Aboriginal justice. The Report of the Aboriginal Justice Implementation Commission (AJIC), received last year, recognizes that Aboriginal justice is not only about the criminal justice system, but involves broader issues such as child welfare, education, employment and stronger communities. We are developing both immediate and long-term strategies for action in these areas, and there will be a comprehensive formal response to the AJIC recommendations in the near future.

Historic agreements have been signed with First Nations and Métis peoples to co-manage local

resources, including forestry and fishing. We have also announced upgrades to water and sewage treatment facilities in several communities.

We have been working collaboratively to develop a Northern Housing Strategy, and will soon see the construction of an energy-efficient demonstration house in Thompson.

Northern Manitoba will benefit from $2 million in federal/provincial funding announced in November for mining exploration to evaluate the potential for precious metals and rare earth elements.

Today, I am pleased to announce a new 10 percent Mineral Exploration Tax Credit. This initiative supports exploration for new mineral deposits that could lead to additional mining activity and jobs in rural and northern Manitoba.

We will continue to work with Aboriginal and northern communities to seize the opportunities for the future.

ENVIRONMENTAL STEWARDSHIP

A necessary component of economic development is environmental stewardship. It is wholly appropriate that as we continue to support a healthier environment through Budget 2002, we do so on Earth Day.

Our economic strategy is sustainable because it respects the environment. We have taken a number of steps to address this very important issue, like converting the Selkirk Hydro plant from coal to natural gas. We are also acting on the recommendations in the Manitoba Climate Change Task Force Report.

We launched the Energy Development Initiative to promote opportunities for hydro – a utility that has displaced 10 million tonnes of greenhouse gas emissions per year. This program puts Manitoba at the forefront of renewable energy resource development, including wind, biomass, geothermal and hydrogen.

Manitoba is also home to a growing ethanol industry. Like other jurisdictions across North America, we have come to recognize the benefits of increased ethanol use for agricultural diversification and meeting our climate change objectives.

Minnesota, our neighbour to the south, has already mandated a 10 percent blend in all gasoline sold in the state. Our Government believes that a similar mandate is desirable and achievable in Manitoba. In months to come, we will actively consult Manitobans to determine the most effective way of reaching this goal and maximizing benefits to Manitobans.

Sustaining natural areas for carbon storage is also a key part of our Government's climate change plan. Our Environmentally Sensitive Areas Tax Credit will better enable us to protect the land around creeks and riverbanks, and our recently announced sustainable forests policy will better enable us to protect critical forest areas.

We have placed a high priority on drinking water safety in Budget 2002, including allocating new resources to monitoring, testing and support for local infrastructure.

We are proud of our sustainable development record. We will build on past success by initiating programs

designed to enhance our leadership position while protecting our resources.

FISCAL OUTLOOK AND BUDGET BALANCE

Despite Manitoba's relatively strong economic performance in 2001, and forecasts to be among the top five provinces in 2002, two dark clouds shadow our fiscal horizon. Corporate Income Tax revenue dropped this year, and there will be ongoing effects from the federal income tax payments error.

Federal estimates indicate that the national economic slowdown resulted in lower than expected corporate income taxes. In Manitoba, Corporate Income Tax revenue will decline by 60 percent, or almost $230 million from last year's estimate.

This Budget calls for spending increases of 2.5 percent overall – the lowest budget-to-budget increase in five years.

A second challenge is the federal government's error regarding the mutual fund trusts income tax.

Medium-Term Fiscal Framework

	2001/02[1]	2002/03	2003/04	2004/05	2005/06
			(Millions of Dollars)		
Revenue	6,900	6,941	7,069	7,246	7,516
Expenditure					
Program Expenditure	6,388	6,560	6,691	6,825	6,961
Public Debt Costs	391	368	368	368	368
Total	6,779	6,928	7,059	7,193	7,329
Net Revenue	121	13	10	53	187
Interfund Transfers					
Debt/Pension Repayment	(96)	(96)	(96)	(96)	(121)
Fiscal Stabilization Fund	0	93	96	53	(56)
Balance Under Balanced Budget Legislation	25	10	10	10	10

The Medium-Term Fiscal Framework reflects current forecasts and assumptions. Should future circumstances depart from these, Budget decisions will reflect these changes.

Note 1: 3Q–Forecast.

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FISCAL OUTLOOK AND BUDGET BALANCE

Despite Manitoba's relatively strong economic performance in 2001, and forecasts to be among the top five provinces in 2002, two dark clouds shadow our fiscal horizon. Corporate Income Tax revenue dropped this year, and there will be ongoing effects from the federal income tax payments error.

Federal estimates indicate that the national economic slowdown resulted in lower than expected corporate income taxes. In Manitoba, Corporate Income Tax revenue will decline by 60 percent, or almost $230 million from last year's estimate.

This Budget calls for spending increases of 2.5 percent overall – the lowest budget-to-budget increase in five years.

A second challenge is the federal government's error regarding the mutual fund trusts income tax.

Medium-Term Fiscal Framework

	2001/02[1]	2002/03	2003/04	2004/05	2005/06
			(Millions of Dollars)		
Revenue	6,900	6,941	7,069	7,246	7,516
Expenditure					
Program Expenditure	6,388	6,560	6,691	6,825	6,961
Public Debt Costs	391	368	368	368	368
Total	6,779	6,928	7,059	7,193	7,329
Net Revenue	121	13	10	53	187
Interfund Transfers					
Debt/Pension Repayment	(96)	(96)	(96)	(96)	(121)
Fiscal Stabilization Fund	0	93	96	53	(56)
Balance Under Balanced Budget Legislation	25	10	10	10	10

The Medium-Term Fiscal Framework reflects current forecasts and assumptions. Should future circumstances depart from these, Budget decisions will reflect these changes.

Note 1: 3Q–Forecast.

Comparative Statement of Budgetary Revenue, Expenditure, Transfers and Balance
2002/03 and 2001/02

	2002/03 Budget	2001/02 3Q-Forecast[1]	2001/02 Budget Adjusted[1]	Increase/(Decrease) from 3Q-Forecast to 2002/03 Budget		Increase/(Decrease) from 2001/02 Budget to 2002/03 Budget	
		(Millions of Dollars)		(Millions of Dollars)	%	(Millions of Dollars)	%
Revenue							
Own-Source	4,579	4,690	4,676	(111)	(2.4)	(97)	(2.1)
Federal Transfers	2,362	2,210	2,127	152	6.9	235	11.0
Total Revenue	6,941	6,900	6,803	41	0.6	138	2.0
Expenditure							
Program	6,560	6,388	6,318	172	2.7	242	3.8
Debt Servicing	368	391	439	(23)	(5.9)	(71)	(16.2)
Total Expenditure	6,928	6,779	6,757	149	2.2	171	2.5
Net Revenue	13	121	46	(108)	(89.3)	(33)	(71.7)
Interfund Transfers							
Debt/Pension Repayment	(96)	(96)	(96)	0	0.0	0	0.0
Fiscal Stabilization Fund	93	0	60	93	n/a	33	55.0
Balance Under Balanced Budget Legislation	**10**	**25**	**10**	**(15)**	**(60.0)**	**0**	**0.0**

Note 1: The 2001/02 information has been adjusted to be consistent with the 2002/03 Estimates structure. The 2001 forecast is based on the Third Quarter Financial Report.

Based on a strong precedent and the assurances of the federal Finance Minister, I am confident that a satisfactory and equitable solution will be found. This Budget makes prudent assumptions in the realization of an Equalization offset for each year a mutual fund trust payment error is deducted or recovered.

Further steps are necessary to ensure we meet the priorities of Manitobans, balance the budget, and address the challenges posed by these revenue reductions.

- This Budget calls for spending increases of 2.5 percent overall – the lowest budget-to-budget increase in five years.
- Only seven departments will receive a spending increase in this year's estimates.

- Departments were directed to cut discretionary spending.
- Overtime is to be reduced in all departments.
- This Budget targets a six percent vacancy rate across Government, up from last year's four percent.
- Public debt costs have been reduced a further $20 million from last year.

While corporate income taxes are down in the short-term, one Manitoba corporation – which pays no income tax – is making large profits. As a result of increased U.S. export demand, Manitoba Hydro is projected to make in excess of $400 million in profits between 2001/02 and 2003/04.

Because of the challenges we face as a result of the federal error, Manitoba Hydro will be asked to make special export profits payments in the amount of $288 million. These payments will ensure Manitoba families do not bear the brunt of the federal error and reduced Corporate Income Tax revenue. These payments will bridge the shortfall until the federal error is fully absorbed and Corporate Income Tax revenue recovers.

In 2001/02, $150 million in Hydro export profit revenue eliminates the need for a Fiscal Stabilization Fund

Personal Tax Savings Since 1999

Personal Income Taxes, Education Property Tax Credits, Education Support Levy

	Implemented in				Cumulative Annual Total
	2000	2001	2002	2003	
	(Millions of Dollars)				(Millions of Dollars)
Income Tax Reductions					
2000 Budget	9	68	34		111
2001 Budget		29	7	18	54
2002 Budget			15		15
Total					181
EPTC Increases; ESL Decrease					
2000 Budget	26				26
2001 Budget		27			27
2002 Budget			10		10
Total					63
Annual Totals	**35**	**124**	**67**	**18**	
Cumulative Annual Totals	**35**	**159**	**226**	**244**	**244**

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(FSF) draw. In 2002/03, a further $75 million in Hydro export profit revenue is budgeted. A further $63 million is budgeted for 2003/04. At the beginning of 2002/03, the FSF will have $359 million available to help address future uncertainties.

Over the short term, these payments will approximately equal 60 percent of the total U.S. export sales by Manitoba Hydro for last year alone.

We are also announcing some tax adjustments to improve budgetary revenue. Administrative sales tax changes and a change in the application of sales tax on mechanical and electrical contracts will raise an additional $10.4 million. Together with all of the other changes announced today, budgetary revenue for 2002/03 totals just over $6.9 billion – less than one percent more than 2001/02 actuals.

In order to ensure a balance under balanced budget legislation, a $93 million draw from the Fiscal Stabilization Fund is required. This will be the first time in three years that a draw has been required. It will be significantly lower than the draws taken by the previous administration in 1998/99 and 1999/2000.

We project a $25 million positive balance for 2001/02, and a $10 million positive balance in each of the following four years. Our Medium-Term Fiscal Forecast indicates that by 2005/06, the process of replenishing the Fiscal Stabilization Fund will begin. This will occur, not from the sale of our Province's assets as done by the previous administration, but from prudent and sustainable decisions on revenue and expenditure.

Transparency and Accountability

Today's Budget devotes $96 million, for the third consecutive year, to debt retirement. These funds help to meet our goal of eliminating the General Purpose Debt and funding the province's long-term pension liability. In 2001/02, $75 million of our $96 million debt retirement payment was allocated for pension liability. This allocation saves Manitobans $51 million over the next 28 years.

Over 40 years ago, the Manitoba Government decided to stop funding the pensions of civil servants and teachers. By 1990, pension liability had grown to $1.2 billion. In 1999, pension liability was $2.7 billion. Left unattended, this pension obligation would grow to $10.6 billion by 2035.

Today's Budget devotes $96 million, for the third consecutive year, to debt retirement.

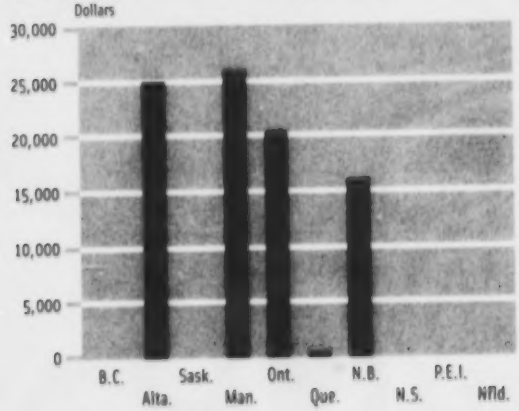
In 2000, we introduced the first plan to reduce our overall pension liability. I am pleased to announce that for the first time in 40 years, effective October 1, 2002, the full pension costs for each new employee will be the responsibility of the hiring department or Government agency. As a result, the outstanding pension liability of the Province will be fully funded by the year 2029.

Personal Taxes

Two major reductions in Personal Income Tax came into effect at the beginning of this year: the middle-bracket tax rate dropped from 16.2 percent to 15.4 percent, and the income threshold between the middle and top brackets rose from $61,089 to $65,000.

I am pleased to announce that this Budget increases the value of the personal non-refundable tax credit amounts by three percent. This will save Manitobans a further $15.3 million per year. It will also remove 5,400 lower-income Manitobans from the tax rolls. The changes we have delivered in our first three Budgets remove a total of 24,000 Manitobans from the tax rolls, and deliver average Personal Income Tax savings of 11.5 percent.

Cumulative Provincial Income Tax Savings for a Small Firm with Annual Taxable Income of $400,000 - 2002 through 2005



Source: Manitoba Finance

The Education Property Tax Credit reduces the impact of school board property taxes to most homeowners and renters by $400 – a $150 increase since 1999. We are also cutting property taxes directly. We recently announced a 10 percent cut to the Education Support Levy (ESL), saving Manitobans another $10 million.

I am pleased to confirm our plans to phase out the residential ESL over the next five years. Under this plan, homeowners will save almost $100 million in property taxes, and Manitobans will pay one less property tax.

We will continue to work with other stakeholders and the public to make property taxes and tax credits more transparent and accountable.

I am pleased to confirm our plans to phase out the residential ESL over the next five years.

Including the changes announced today, our Government's first three Budgets deliver significant but sustainable relief on personal income and property taxes totaling $244 million per year.

In response to requests from the business community, the Manitoba Equity Tax Credit is extended for three more years.

Business Income Taxes

Our first two Budgets significantly reduced corporation income taxes on small businesses, and brought in the first reduction in general corporation income taxes since the Second World War. On January 1 of this year, the amount of taxable income eligible for the small business income tax rate rose from $200,000 to $300,000. To keep Manitoba's small business thriving, this Budget commits to increase the threshold to $400,000 in 2005. This increase will be phased in, starting with an increase to $320,000 next January 1.

Since our Government came to office, the small business tax rate has fallen from eight percent to the current five percent . This lower rate, together with the increasing threshold, adds up to a major improvement in tax competitiveness for small business in Manitoba.

CONCLUSION

We are working hard to address the top priorities of Manitobans:

- quality public health care;
- new education opportunities and better schools;
- stronger families and safer communities;
- economic development and jobs;
- keeping the books balanced; and
- keeping Government affordable.

We are meeting today's challenges. We are determined to keep building for Manitoba's future. There are many exciting developments going on throughout the province – in Manitoba's North, in rural areas, and in downtown Winnipeg and Brandon. Manitobans from all walks of life recognize the hurdles we face. Still, their optimism is real and infectious.

In our first three Budgets we invested $500 million more, or 2.5% per year, to meet the needs of health, education, children and communities. At the same time we have provided $244 million in personal tax reductions and committed $288 million towards operating debt reduction.

This is a great time to be a Manitoban. We have shown we can address adversity and still thrive, keeping focussed on our long-term goals.

This is a great time to be a Manitoban. We have shown we can address adversity and still thrive, keeping focussed on our long-term goals.

In this spirit, I am proud to present the 2002 Manitoba Budget. It is fair, balanced and future-oriented. It continues our course for a bright and stable future for Manitoba families. We are meeting today's challenges and building for Manitoba's future.

Thank you, Mr. Speaker.

MANITOBA 2002

> DISCOURS DU BUDGET

RELEVER LES DÉFIS D'AUJOURD'HUI.
BÂTIR L'AVENIR.

Discours du Budget 2002 du Manitoba

M. Gregory F. Selinger

Ministre des Finances

Le 22 avril 2002

Ce document
peut être consulté sur Internet
à l'adresse suivante :
http://www.gov.mb.ca/finance
Les autres documents offerts sur ce site comprennent :
The 2002 Manitoba Budget Papers
Le Budget des dépenses du Manitoba de 2002,
Le Budget des recettes du Manitoba de 2002,
Les avantages du Manitoba de 2002,
Quarterly Financial Report (le plus récent), et
Highlights of Manitoba's Recent Economic Performance.

Des arrangements spéciaux peuvent être pris
pour obtenir des sections de ce document
dans des formats alternatifs destinés
aux personnes souffrant d'une incapacité visuelle.

The 2002 Manitoba Budget Address is also available in English.

Ce document est imprimé sur papier recyclé.

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THE BUDGET PAPERS (en un volume unique)

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- Budget Paper D – Taxation Adjustments

LES AVANTAGES DU MANITOBA

RELEVER LES DÉFIS D'AUJOURD'HUI BÂTIR L'AVENIR

Monsieur le Président, j'ai l'honneur de vous présenter le Budget 2002 du Manitoba, un budget qui relève les défis d'aujourd'hui tout en bâtissant l'avenir.

Ce budget est équilibré. Il est axé sur les priorités des Manitobains et des Manitobaines, dans les domaines de la santé, de l'éducation et des programmes pour les jeunes. Il réalise le plan à long terme de notre gouvernement consistant à rembourser la dette et à réduire les taxes et les impôts.

Surtout, ce budget maintient les conditions qui permettent une croissance économique future face à un ensemble de défis unique.

Comme nous le savons tous, l'année qui vient de s'écouler a connu des bouleversements internationaux et des incertitudes budgétaires. Un ralentissement économique mondial, qui avait commencé au début de 2001, s'est aggravé après les tragiques événements du 11 septembre. Bien que l'économie du Manitoba se soit révélée une des plus solides, un ralentissement important de la croissance et des recettes a été observé dans plusieurs secteurs.

Fin janvier, la situation s'est encore compliquée avec la découverte d'une erreur comptable du gouvernement fédéral dont l'origine remonte à 30 ans. Ottawa a annoncé qu'en raison de cette erreur le Manitoba a reçu 408 millions de dollars en paiements excédentaires de l'impôt sur le revenu qui se sont produits de 1993 à 1999. Cette erreur continue d'avoir des retombées pour les années d'imposition 2000, 2001 et 2002.

Cependant, les Manitobains et les Manitobaines envisagent l'avenir avec une grande confiance. Notre marché du logement est solide et notre économie progresse plus rapidement que celle de beaucoup d'autres provinces.

Ce budget jouera un rôle stabilisateur en faisant la transition entre l'incertitude actuelle et l'avenir favorable que les spécialistes prévoient pour le Manitoba.

Dans ce budget, nous prenons des mesures afin de rendre stable et prévisible un contexte financier incertain. Ce budget jouera un rôle stabilisateur en attendant que les recettes reprennent de la vigueur et que les conséquences de l'erreur fédérale soient surmontées. Il fera la transition entre l'incertitude actuelle et l'avenir favorable que les spécialistes prévoient pour le Manitoba.

Pour que notre économie demeure stable et prévisible, notre gouvernement a dû choisir parmi de nombreuses solutions difficiles.

Ces choix ont été faits dans un esprit d'équité.

Au total, les dépenses prévues dans ce budget augmentent de 2,5 pour cent. La plupart des ministères voient leur budget diminuer par rapport à l'année dernière. Dans les secteurs prioritaires, le gouvernement trouve des façons plus efficientes de gérer les ressources.

Le coût de la dette du gouvernement a diminué de 20 millions de dollars supplémentaires par rapport aux chiffres réels de l'année dernière. Dans l'ensemble du gouvernement, nous visons un taux de vacance de postes de six pour cent.

Nous continuons à fournir l'aide nécessaire aux secteurs de la santé et de l'éducation, ainsi qu'aux programmes pour les enfants et les familles. Dans le budget présenté aujourd'hui, vous ne trouverez ni vastes coupes dans les programmes, ni augmentation des principaux impôts, ni ajournement des promesses d'allègement fiscal, ni annulation des versements destinés au remboursement de la dette.

Notre gouvernement est déterminé à renforcer le caractère abordable du Manitoba. Depuis trois ans, nous maintenons une diminution de 10 pour cent des droits de scolarité postsecondaire, et nous avons mis en œuvre un plan de réduction des impôts et des taxes des particuliers et des entreprises.

Financement accordé au système public d'éducation par le gouvernement du Manitoba, 2001-2002

	Total des dépenses dans le secteur de l'éducation publique	Contribution provinciale	Contribution provinciale
	(Millions de dollars)		(%)
Fonds de fonctionnement	1 303,1	771,8	59,2
Immobilisations (principal et intérêt)	75,7	75,7	100,0
Crédit d'impôt foncier du Manitoba en matière d'éducation	s.o.	173,6	100,0
Programme d'aide aux pensionnés en matière de taxes scolaires	s.o.	3,8	100,0
Participation des employeurs au régime de pension de retraite des enseignants	82,6	82,6	100,0
Total des dépenses	1 461,4	1 107,5	75,8

Sources : État financier du système comptable FRAME et Éducation, Formation professionnelle et Jeunesse Manitoba
s.o. : sans objet

Nous constatons une augmentation des inscriptions dans les collèges et les universités qui augure bien de l'avenir, et une économie qui a fait la preuve de sa résistance face au ralentissement économique mondial.

Ce budget nous maintiendra dans la voie de la croissance économique stable :

- le Manitoba se place toujours au deuxième rang des provinces et des territoires qui ont le taux de chômage le plus bas au Canada;
- une revitalisation majeure est en cours dans le centre-ville de Winnipeg;
- les régions rurales du Manitoba demeurent résolument sur le chemin de la diversification économique;
- le Nord attire de nouveaux investissements.

Les Manitobaines et les Manitobains peuvent être fiers de leurs réalisations. Je tiens à les remercier sincèrement de leur vision, de leur soutien et de leurs conseils. Ensemble, nous relevons les défis d'aujourd'hui tout en bâtissant l'avenir.

INVESTIR DANS L'AVENIR DU MANITOBA

Nous croyons fermement que notre stratégie économique ne peut être efficace que si elle s'accompagne d'un projet éducatif ambitieux. Les provinces qui investissent dans l'éducation sont celles qui récolteront les fruits de la réussite au cours de ce nouveau siècle.

Le Manitoba continuera de progresser vers une vraie société d'apprentissage. Même en ces temps difficiles, notre engagement envers les écoles publiques et l'enseignement postsecondaire demeure solide.

Nous respectons notre engagement de financer les écoles du Manitoba au rythme de la croissance économique. Le financement de l'éducation publique dépasse maintenant le milliard de dollars.

Davantage de ressources sont aujourd'hui dirigées vers les salles de classe, pour le plus grand bien des jeunes du Manitoba et l'avenir collectif de notre province.

Nous avons allégé les coûts d'administration des écoles publiques en réduisant d'un tiers le nombre de divisions scolaires de la province. Nous avons aussi rendu plus simple et plus équitable la formule de financement des écoles.

Ce budget continue à corriger le déficit infrastructurel qui s'est accumulé dans nos écoles publiques et nos établissements d'enseignement postsecondaire pendant les années 1990. Nos écoles publiques bénéficient de nouveaux investissements importants dans les immeubles et les réparations. Il y a de nouveaux projets de construction sur presque tous les campus. Nos collèges et universités ont entamé des travaux de reconstruction grâce à plus de 100 millions de dollars d'investissements provinciaux et à 97 millions de dollars d'investissements privés de contrepartie.

Notre objectif est de mettre l'enseignement collégial et universitaire à la portée de tous les jeunes qui satisfont aux conditions d'admission.

Les résultats obtenus jusqu'à présent sont impressionnants : le nombre d'inscriptions dans les collèges et les universités a augmenté de près de 12 pour cent au cours des deux dernières années.

Je suis heureux d'annoncer aujourd'hui que nous continuerons à bâtir sur ces succès. Dans l'ensemble, les droits de scolarité des étudiants du Manitoba demeureront de 10 pour cent inférieurs à leur niveau de 1999. De plus, nous améliorons l'aide à l'enseignement postsecondaire :

- en augmentant les subventions de fonctionnement accordées aux universités et aux collèges;
- en créant de nouvelles places dans les collèges grâce à l'Initiative d'expansion des collèges;
- en consacrant près de 16 millions de dollars à diverses bourses d'études et subventions aux étudiants.

Les autres changements que nous apportons au soutien offert à l'enseignement postsecondaire sont fondés sur les commentaires des élèves, des parents et des enseignants - y compris la fin du crédit d'impôt pour études. Ce dernier changement est compensé par les améliorations que nous avons apportées aux crédits d'impôt non remboursables et aux programmes de bourses en l'an 2000, ainsi que par l'aide financière supplémentaire consacrée aux crédits d'impôt dans le budget 2001 du gouvernement fédéral.

En conclusion, investir dans l'éducation afin que toute la population manitobaine en profite à l'avenir demeure une des priorités principales de ce gouvernement.

SOINS DE SANTÉ : DES DÉFIS, DES CHOIX ET DES SUCCÈS

Depuis notre élection en 1999, nous entendons des Manitobains et des Manitobaines le même message clair et invariable au sujet des soins de santé. Ils savent que le changement et l'innovation sont nécessaires. Ils réclament aussi un système où la prestation des soins de santé est fondée sur leurs besoins et non sur leurs moyens. Ce fait est apparu clairement durant la consultation sur les choix en matière de santé menée par mon collègue, le ministre de la Santé.

Nous subissons de très fortes contraintes budgétaires causées par l'augmentation de la demande de services et l'accroissement de leur coût, la nécessité accrue de nouvelles technologies, ainsi que par la diminution importante de la participation fédérale au financement des soins de santé.

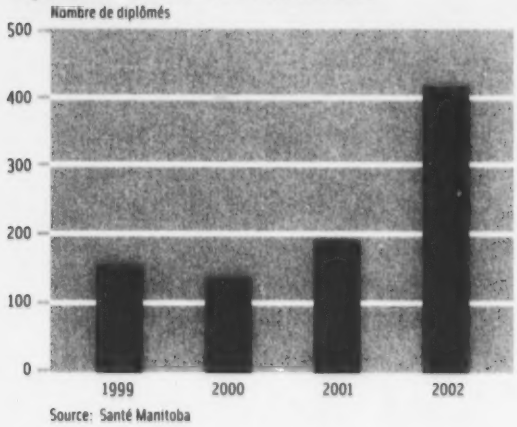
Les Manitobains et Manitobaines réclament aussi un système où la prestation des soins de santé est fondée sur leurs besoins et non sur leurs moyens.

À titre d'exemple, actuellement, les soins de santé représentent plus de 39 pour cent de notre budget global. La part du gouvernement fédéral dans le

financement des soins de santé est tombée à 14 pour cent : on est loin du principe de répartition des coûts à parts égales qui était au cœur du partenariat sur le régime d'assurance-maladie lors de sa création. De plus, la promesse du gouvernement fédéral concernant la création d'un programme national de médicaments ne s'est pas concrétisée.

L'un de nos plus grands défis consiste à répondre aux besoins de la population manitobaine malgré ces contraintes au niveau national.

Diplômés en sciences infirmières



Source: Santé Manitoba

Monsieur le Président, dans le Budget 2002, tout en renforçant notre soutien au système de soins de santé en augmentant son financement à un total de 2,8 milliards de dollars, nous continuons à trouver des moyens d'offrir les services de façon encore plus efficiente.

Nous mettons au point des approches innovatrices afin de réduire les coûts au sein d'un système de santé à but non lucratif. La transformation de la clinique Pan Am en un établissement à but non lucratif en est un bon exemple. Ce modèle d'innovation est aujourd'hui étudié dans tout le Canada.

Dix-huit centres manitobains utilisent maintenant la nouvelle technologie vidéo Télésanté, une méthode économique qui permet à des milliers de Manitobaines et de Manitobains de consulter des spécialistes sans quitter leur région. Cela signifie, par exemple, qu'un enfant à Thompson pourra consulter un spécialiste à Winnipeg sans devoir quitter sa famille ou sa communauté.

Nous avons déjà supprimé des dépenses d'administration en fusionnant les offices de la santé de Winnipeg. Nous cherchons à améliorer l'efficience et la coopération au moyen de fusions additionnelles et d'autres mesures économiques administratives.

Nous avons investi à bon escient dans des mesures de prévention, comme la vaccination antigrippale et l'éducation sur l'asthme infantile, qui ont réduit de façon importante le nombre d'admissions dans les salles d'urgence.

Nous orientons également davantage de nos ressources vers les soins aux patients en encourageant une plus grande coopération entre les établissements et les régions. De plus, nous chercherons à établir de nouveaux partenariats avec les autres provinces, afin d'offrir des services de soins spécialisés à l'échelle régionale.

Parallèlement, l'investissement que nous réalisons pour renforcer le système de santé nous fournit des

ressources importantes pour former et garder des professionnels de la santé. C'est l'élément humain qui est au cœur du système de santé. De fait, les salaires représentent 70 pour cent des coûts de ce système.

Grâce à la remise en vigueur du programme d'études menant au diplôme en sciences infirmières et à un programme universitaire solide, plus de 400 diplômés entreront sur le marché du travail cette année. Nous avons récemment négocié un nouveau contrat qui accordera au personnel infirmier un salaire équitable et concurrentiel.

Dix-huit centres manitobains utilisent maintenant la nouvelle technologie vidéo Télésanté, une méthode économique qui permet à des milliers de Manitobaines et de Manitobains de consulter des spécialistes sans quitter leur région.

De plus, nous collaborons avec le personnel infirmier et avec les offices de la santé pour améliorer les conditions de travail et offrir plus de possibilités d'emploi à plein temps.

Un nouveau système de subventions pour les étudiants fournit déjà une aide financière à plus de 150 futurs médecins qui se sont engagés à rester au Manitoba. Nous avons mis en service la ligne téléphonique d'orientation vers les médecins de famille qui met davantage de Manitobains et de Manitobaines en contact avec des médecins. Lancée en janvier, cette ligne téléphonique a déjà reçu plus de 9 000 appels. Depuis notre élection, 98 nouveaux spécialistes en médecine ont été recrutés dans notre province.

Nous avons investi plus de 300 millions de dollars dans la modernisation d'immobilisations pour faire fonctionner notre système de soins de santé de manière plus avisée et efficiente. Nous sommes en train de moderniser le Centre régional de santé de Brandon pour offrir plus de chirurgies d'un jour et de services aux patients ambulatoires, ce qui se traduira par une diminution du nombre de séjours coûteux à l'hôpital. De nouveaux investissements effectués dans le Johnson Memorial Hospital de Gimli permettront d'offrir des programmes de soins de santé communautaires plus étendus grâce à des programmes de jour pour adultes et à un centre de ressources communautaires.

Nous avons investi 73 millions de dollars dans l'achat de matériel indispensable et dans la prolongation des heures d'ouverture. Non seulement nous avons acquis du nouveau matériel comme des appareils d'IRM, mais nous investissons aussi dans des technologies de pointe comme le scalpel gamma. Ce nouvel outil utilisé dans des interventions neurochirurgicales moins effractives nous permettra de devenir un centre régional d'excellence dans ce domaine.

Un système de santé public et à but non lucratif est un avantage concurrentiel important pour nos entreprises. L'année dernière, on avait prévu qu'aux États-Unis les coûts que devraient payer les petites entreprises pour les soins de santé de leurs employés augmenteraient de 15 à 20 pour cent, en plus des augmentations annuelles de 10 à 12 pour cent qui avaient eu lieu au cours des trois années précédentes, selon la U.S. National Federation of Independent Business.

Parmi les initiatives soutenues par le budget de la santé de cette année, citons :

- le lancement au Centre des sciences de la santé du plus grand projet d'immobilisations de l'histoire du Manitoba dans le domaine de la santé, un projet dont les objectifs sont l'expansion et la modernisation du centre ainsi que la mise en service de nouvelles technologies de la santé;
- un plus grand soutien à Action cancer Manitoba;
- l'agrandissement et la modernisation du service d'obstétrique à The Pas grâce à un investissement de 500 000 dollars;
- une meilleure utilisation de la capacité chirurgicale dans les régions rurales et le Nord afin de réduire la période d'attente pour les opérations chirurgicales non urgentes;
- l'introduction de nouvelles mesures communautaires en matière de santé mentale;
- le lancement d'un projet de 5,5 millions de dollars visant la restructuration des services d'urgence et d'oncologie au Victoria General Hospital;
- l'établissement de nouveaux services d'échographie en consultation externe.

Dans le Budget 2002, des ressources additionnelles sont également prévues pour les offices de la santé, les services de santé communautaires, les soins à domicile et les services d'intervention et de transport en cas d'urgence, ainsi que pour les services de soins actifs et de soins de longue durée.

L'une des plus grandes pressions auxquelles nous sommes soumis est le coût des médicaments. Au cours des cinq dernières années, le montant prévu par la Province pour l'assurance-médicaments a pratiquement doublé. Cette année seulement, le coût de l'assurance-médicaments a augmenté de 26 pour cent, et il se chiffre maintenant à 136 millions de dollars. Malheureusement, le gouvernement fédéral n'a toujours pas tenu son engagement quant à un programme national d'assurance-médicaments, et les provinces ne peuvent plus porter seules la majeure partie du fardeau.

Pour aider à compenser ces coûts, la franchise du régime d'assurance-médicaments augmentera de cinq pour cent. Pour la majorité des bénéficiaires, cela signifiera une augmentation de leur franchise de 1 à 5 dollars par mois. Nous continuerons à travailler avec d'autres provinces pour établir des stratégies visant à freiner l'escalade du coût des médicaments, comme la mise en place d'un processus commun de révision des listes de médicaments assurés. Nous continuerons également à faire pression sur le gouvernement fédéral pour qu'il assume ses responsabilités envers le régime d'assurance-maladie.

Tout comme d'autres provinces de l'Ouest, nous augmentons les taxes sur le tabac. Un rapport de la Banque mondiale indique qu'aux États-Unis une augmentation de 10 pour cent des prix a eu pour conséquence une diminution de 6 pour cent de la consommation chez les personnes âgées de 18 à 24 ans. Une nouvelle étude menée par le U.S. Center for Disease Control montre que chaque paquet de cigarettes coûte plus de 11 dollars canadiens en coûts de santé et de perte de productivité.

Nous investissons aussi dans des technologies de pointe comme le scalpel gamma. Ce nouvel outil utilisé dans des interventions neurochirurgicales moins effractives nous permettra de devenir un centre régional d'excellence dans ce domaine.

À partir de minuit aujourd'hui, le taux d'imposition sur le tabac passera de 9,6 à 14,5 cents la cigarette. Les ressources ainsi générées contribueront à compenser d'une part les coûts occasionnés par l'entente récemment conclue avec le personnel infirmier et d'autre part les dépenses médicales accrues.

Le Budget 2002 reconnaît qu'un système de santé fort repose sur l'innovation et sur la coopération. Poursuivre sur notre lancée dans ces domaines afin d'offrir des soins de qualité continuera à être notre priorité.

CONSOLIDER LES FAMILLES

Assurer la santé des familles et la sécurité des communautés aide à préparer l'avenir du Manitoba.

Les enfants soutenus dès leur plus jeune âge réussissent mieux à l'école, ont de meilleurs revenus par la suite et sont moins susceptibles d'avoir affaire au système judiciaire ou de dépendre de services sociaux coûteux.

Les nouveaux investissements réalisés au cours de notre mandat dans le domaine des services à l'enfance et dans Enfants en santé Manitoba démontrent notre ferme engagement à l'égard du développement des jeunes enfants. Au cours de l'année à venir, nous bâtirons sur ces bases en introduisant un plan pluriannuel de services à l'enfance, dont l'objectif principal sera d'offrir des soins pour enfants accessibles, abordables et de qualité. De plus, nous continuons à investir dans Enfants en santé Manitoba en mettant en œuvre le programme Bébés en santé dans son intégralité. Premier du genre au Canada, ce programme a été repris par d'autres gouvernements.

Notre programme de centres de ressources parents-enfants remporte un grand succès; y participent actuellement 26 coalitions qui cherchent à soutenir les

initiatives à l'égard des jeunes enfants dans l'ensemble de la province.

Nous lancerons également un nouveau programme pilote « Santé à l'école », afin d'établir un meilleur lien entre les services de santé publique et les écoles locales. Nous continuerons d'autre part à encourager des initiatives importantes comme la prévention du syndrome d'alcoolisme fœtal et des effets de l'alcool sur le fœtus.

Les sommes investies dans le programme Enfants en santé atteignent à présent 22 millions de dollars. Ce montant s'ajoute aux 16 millions de dollars que nous avons investis dans les services à l'enfance depuis notre arrivée au pouvoir. Au cours de cette même période, les fonds investis dans le développement des jeunes enfants ont augmenté de presque 40 millions de dollars, grâce à un soutien financier découlant d'un partenariat avec le gouvernement fédéral.

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De plus, nous avons supprimé progressivement la récupération de la Prestation nationale pour enfants pour toutes les familles qui reçoivent une aide au revenu et qui ont des enfants de six ans et moins. Le budget d'aujourd'hui continue à réduire la récupération de la Prestation nationale pour enfants : à partir de janvier 2003, toutes les familles à faible revenu ayant des enfants de moins de 12 ans recevront des prestations.

Le Budget 2002 prévoit un soutien complémentaire à l'Initiative de protection de l'enfance pour les Autochtones, qui recevra donc un financement total de 2,8 millions de dollars. Nous allons également créer un nouveau bureau distinct qui se concentrera sur les questions touchant les personnes handicapées.

Les fonds prévus nous aideront à relever les défis d'aujourd'hui, à bâtir l'avenir et à appuyer les familles manitobaines.

RENFORCER LA SÉCURITÉ DES COMMUNAUTÉS

Lorsque nous sommes entrés en fonctions en 1999, plusieurs vieux quartiers urbains étaient en sérieux déclin. En travaillant avec les familles, les communautés et les autres paliers de gouvernement, nous avons mis sur pied des programmes comme Quartiers vivants et l'initiative Logement et Sans-abri de Winnipeg. Ce dernier programme a, par exemple, contribué à la réparation, à la réhabilitation ou au réaménagement de plus de 600 logements dans le centre-ville de Winnipeg.

Aujourd'hui, pour la première fois en dix ans, la valeur des propriétés commence à augmenter dans nombre de ces quartiers.

Ce budget appuie les programmes qui contribuent à la revitalisation des communautés et qui évitent la détérioration des vieux quartiers.

Nous nous attaquons également à la criminalité en augmentant la présence policière afin de combattre les bandes de rue, le crime organisé, les vols de biens et d'automobiles, ainsi que la conduite avec facultés affaiblies. Pour empêcher les enfants de se joindre à des bandes et de traîner dans les rues, le Budget 2002 appuie également le programme Lighthouse, qui offre aux jeunes des moyens sûrs et constructifs d'employer leur temps libre.

Nous élargissons la gamme des infractions visées par la *Déclaration des droits des victimes*. Nous prévoyons de nouvelles ressources pour mettre en application la *Loi visant à accroître la sécurité des collectivités et des quartiers* afin de prendre des mesures à l'égard de nuisances telles que les lieux de vente illégale d'alcool, de consommation et de commerce illicite de drogues, ou de prostitution, dans les quartiers résidentiels.

Réduire la criminalité est une façon importante d'améliorer la sécurité communautaire. Diminuer le nombre d'accidents du travail est une autre façon de préserver la sécurité des Manitobains et des Manitobaines.

Nous avons récemment reçu le rapport du Comité de révision de la sécurité et de l'hygiène du travail, qui s'appuie sur des consultations publiques. Nous adopterons des mesures pour mettre en œuvre les recommandations visant à améliorer la sécurité et à réduire le nombre d'accidents du travail.

Nous avons déjà fait des progrès importants dans ce domaine :

- nous avons ajouté huit inspecteurs d'hygiène et de sécurité au travail, dont un pour le Nord du Manitoba;
- nous avons nommé un procureur de la Couronne qui se consacrera à plein temps aux infractions à la sécurité au travail.

Des lieux de travail plus sûrs signifient moins d'accidents, une meilleure sécurité d'emploi, des coûts d'indemnisation moindres pour les employeurs et une meilleure productivité.

Nous sommes également déterminés à renforcer la sécurité des communautés en appuyant les mesures destinées à protéger l'eau potable dans notre province.

J'ai le plaisir d'annoncer aujourd'hui que nous consacrons davantage de fonds aux initiatives touchant la qualité de l'eau potable. Ce financement nous permettra de consacrer plus de ressources au contrôle de la qualité de l'eau potable, d'effectuer une meilleure surveillance des résultats d'analyse et d'engager de nouveaux investissements dans des réseaux d'alimentation en eau potable pour les communautés du Nord.

L'ÉCONOMIE MANITOBAINE : LA FORCE DE LA DIVERSITÉ

Les progrès réalisés dans les domaines de la santé, de l'éducation et du développement communautaire améliorent la qualité de vie des Manitobains et Manitobaines. Tout comme le fait une économie en pleine croissance. Notre capacité à surmonter le récent

bouleversement est la preuve de la vigueur et de la diversité de notre économie.

Pendant la période actuelle de reprise économique, nous continuerons à faire des choix qui sont abordables et durables. Il est évident que notre approche fonctionne, à preuve :

- une performance du Manitoba supérieure à celle du Canada, avec un taux de croissance réelle de 1,6 pour cent en 2001;
- le deuxième rang au pays pour le plus bas taux de chômage;
- un taux de participation de la main-d'œuvre historiquement élevé et le deuxième au Canada;
- une augmentation de sept pour cent des exportations de produits de base vers les États-Unis;
- une augmentation de 17 pour cent des recettes monétaires agricoles par comparaison avec une augmentation de moins de 10 pour cent à l'échelle du Canada;
- une croissance positive des livraisons manufacturières, alors que nos partenaires commerciaux importants connaissent une croissance lente ou négative;
- une augmentation de 15 pour cent des mises en chantier, soit deux fois l'augmentation nationale.

Selon notre sondage auprès de sept prévisionnistes indépendants, le Manitoba devancera de nouveau la plupart des autres provinces en termes de croissance en 2002, grâce à un taux de croissance économique de deux pour cent. Les Manitobains et Manitobaines continuent d'avoir confiance en leur avenir et sont bien placés pour profiter de la reprise économique. L'organisme bancaire TD Economics rapporte que le Manitoba sera l'une de trois seules provinces qui connaîtront une augmentation du revenu disponible réel des particuliers cette année.

La Société canadienne d'hypothèques et de logement prévoit que le nombre de ventes de maisons existantes continuera à augmenter; cette hausse atteindra 1,4 pour cent, alors qu'on s'attend à ce que le nombre de ventes à l'échelle nationale diminue.

Selon notre sondage auprès de sept prévisionnistes indépendants, le Manitoba devancera de nouveau la plupart des autres provinces en termes de croissance en 2002.

Notre optimisme est cependant tempéré par la nécessité de trouver une solution à l'erreur comptable du fédéral et de tenir compte de l'incertitude entourant l'économie mondiale. Aujourd'hui plus que jamais, les investissements dans notre économie doivent être ciblés et stratégiques.

Le Conseil consultatif économique du premier ministre réunit les chefs de file du milieu des affaires, des

syndicats, des Premières nations et de la collectivité pour aider le gouvernement à poursuivre l'élaboration de stratégies pour l'avenir.

Comme nous l'avons montré, l'éducation, la santé et le développement communautaire bénéficieront d'un appui solide. Nous favorisons également la croissance économique :

- en attirant davantage de gens au Manitoba, particulièrement des travailleurs compétents, grâce à l'expansion des programmes d'immigration;
- en aidant les entreprises à grandir grâce à la recherche, à l'innovation et aux investissements de capitaux;
- en exploitant le potentiel de nouveaux aménagements hydroélectriques au Manitoba;
- en renouvelant et en améliorant la gestion de l'infrastructure, y compris les ressources en eau de la province.

Immigration

Il est nécessaire d'accroître l'immigration pour relever les défis d'aujourd'hui et bâtir un avenir prospère. Le Manitoba est bien placé pour connaître une croissance plus forte, en partie grâce au programme Candidats du Manitoba. Ce programme permet d'accueillir des travailleurs spécialisés dans des domaines à forte demande afin d'aider les entreprises à être concurrentielles dans l'économie actuelle.

L'année dernière, en partenariat avec le gouvernement fédéral, le programme a pris de l'expansion afin d'accueillir 1 000 candidats et leurs familles - cinq fois plus de candidats qu'au moment du lancement du programme. Parmi les candidats sondés, 90 pour cent ont indiqué vouloir continuer à vivre et à travailler au Manitoba.

Le Budget 2002 consacre 6,2 millions de dollars au Programme manitobain d'intégration des immigrants afin que leur transition à la vie dans la province soit réussie. Nous nous sommes engagés à augmenter le nombre de travailleurs spécialisés grâce à l'éducation et à l'immigration, en travaillant en partenariat avec le milieu des affaires, les syndicats et la collectivité.

Recherche et innovation

Bâtir un avenir prospère au Manitoba demande également un engagement continu envers la recherche et l'innovation, particulièrement dans nos secteurs clés comme l'agriculture, l'énergie et les industries de la fabrication et de la santé. Le Manitoba se place au quatrième rang des provinces ayant le rapport le plus élevé entre leurs dépenses pour la recherche et le développement et leur produit intérieur brut.

Nous sommes déjà fiers de compter ici un grand nombre d'entreprises innovatrices. Par exemple, le Manitoba est le siège de 37 entreprises de biotechnologie : une entreprise canadienne de biotechnologie sur dix exploite des installations au Manitoba.

D'importantes additions à l'infrastructure technologique du Manitoba ont récemment été annoncées :

- l'Installation de partenariat industriel à l'Institut du biodiagnostic du Conseil national de recherches du Canada se concentrera sur la recherche médicale de pointe, ainsi que sur le développement et la commercialisation d'aliments fonctionnels;
- le nouvel Institut de recherche clinique I.H. Asper, auquel seront consacrés 25 millions de dollars, permettra d'établir des liens entre les soins cardiovasculaires et les soins primaires, la recherche et les tests cliniques;
- un Centre de recherche sur les aliments fonctionnels à la pointe de la technologie, qui sera construit dans le SMARTpark de l'Université du Manitoba et dont le coût sera de 25 millions de dollars, permettra de déterminer quelles sont les cultures les plus aptes à être transformés en aliments fonctionnels à plus grande valeur ajoutée;
- un nouvel investissement de trois millions de dollars, le nouveau centre de recherche et de diagnostic pour le cancer du sein d'Action cancer Manitoba, permettra à Winnipeg d'asseoir sa réputation de centre de recherche médicale avancée.

Dans le budget de l'année dernière, nous avons annoncé une aide provinciale destinée à l'industrie des nouveaux médias au Manitoba. Les consultations se sont terminées l'année dernière, et je suis heureux d'annoncer que nous fournirons un soutien financier supplémentaire à ce nouveau secteur.

De plus, nous étendrons le programme de crédit d'impôt pour l'industrie cinématographique du Manitoba, qui a contribué au développement de cette industrie dans notre province au cours des cinq dernières années. Les producteurs cinématographiques de nouveaux médias accéderont maintenant plus facilement à ce crédit d'impôt.

Investissement de capitaux

Notre industrie cinématographique illustre bien la façon dont les entreprises du Manitoba se mesurent avec succès à leurs concurrentes sur le marché mondial.

De plus, il faut mentionner la réussite de firmes locales comme Vansco Electronics, qui a récemment reçu le premier prix d'excellence annuel des fabricants et exportateurs canadiens.

Le Fonds de placement Crocus et le ENSIS Growth Fund ont un total combiné d'actifs qui s'élève à plus de 240 millions de dollars.

D'importants investissements de capitaux sont prévus au Manitoba en 2002 :

- J.R. Simplot investit 110 millions de dollars dans la première phase d'une nouvelle installation de traitement des pommes de terre à Portage la Prairie;
- Standard Aero Limited construit une installation de réparation de 92 millions de dollars, destinée à

l'entretien des avions à réaction utilisés pour le transport régional, un marché qui est en pleine croissance;

- Biovail Corporation a annoncé une expansion de 11 millions de dollars de son usine de Steinbach;
- Maple Leaf Distillers entreprend un agrandissement de 6,4 millions de dollars;
- Air Canada et Acsion Industries, dont le siège social est au Manitoba, ont annoncé un partenariat stratégique qui permettra la création de 270 emplois dans le secteur de l'aérospatiale de la province.

Notre gouvernement a pris des mesures pour que le Manitoba demeure un chef de file dans le domaine de la fabrication d'autobus. En travaillant avec les autres paliers gouvernementaux, nous avons pu protéger des emplois et une industrie essentielle à New Flyer et à Motorcoach Industries.

Reconnaissant l'importance d'avoir accès à du capital de croissance, notre gouvernement aide le secteur privé à procurer du capital de risque aux entreprises manitobaines. Le Fonds de placement Crocus et le ENSIS Growth Fund continuent à être très populaires auprès du public investisseur. Le total combiné des actifs de ces deux sociétés à capital de risque de travailleurs s'élève à plus de 240 millions de dollars. Environ 80 entreprises manitobaines ont bénéficié d'investissements provenant de ces deux fonds.

La Province a également fait d'importants investissements dans des fonds communs d'immobilisations gérés par le secteur privé. En décembre 2001, nous avons annoncé la mise sur pied

Revenus d'exportation d'Hydro-Manitoba vers les États-Unis

Source : Régie de l'hydro-électricité du Manitoba

du Western Life Sciences Venture Fund. Ce nouveau fonds de 45 millions de dollars visera plus particulièrement l'un des principaux secteurs de possibilités au Manitoba, c'est-à-dire le développement commercial de la recherche dans le domaine des sciences de la santé.

Notre avantage hydroélectrique

Il est évident que l'un des principaux avantages du Manitoba est son hydroélectricité. Nos vastes ressources en eau et notre service public d'électricité, qui est comptable devant la population, font partie du patrimoine remarquable qui nous a été légué. Des investissements dans la centrale de Limestone ont entraîné une énorme croissance des recettes d'exportation d'Hydro-Manitoba.

Aujourd'hui, des exportations florissantes vers les États-Unis permettent aux particuliers et aux entreprises du Manitoba de bénéficier des tarifs d'électricité les plus bas en Amérique du Nord, ce qui se poursuivra dans l'avenir.

En fait, l'année dernière, nous avons pris une mesure historique en égalisant les tarifs d'hydroélectricité des régions rurales et du Nord et ceux de Winnipeg.

À ce jour, environ la moitié du potentiel hydroélectrique du Manitoba est exploitée et nous travaillons à des projets futurs en collaboration avec Hydro-Manitoba.

Sous réserve d'une approbation finale, le projet de barrage Wuskwatim sera réalisé en partenariat avec la Nisichawayasihk Cree Nation. En plus de veiller à ce que la réalisation du projet n'ait aucune conséquence environnementale importante, le partenariat de participation procurera à cette Première nation une source permanente de revenus qui serviront au développement communautaire et économique. Les membres de cette nation pourront bâtir leur propre avenir avec de nouveaux outils économiques dérivés de ressources provenant de leurs terres ancestrales. D'autres projets futurs sont en cours d'élaboration, en partenariat avec d'autres Premières nations, selon ce modèle innovateur.

Une autre nouvelle prometteuse est l'accord de principe visant la vente d'Hydro-Winnipeg à Hydro-Manitoba. Cet accord :

- garantira que les services hydroélectriques du Manitoba demeureront propriété publique dans l'avenir;
- procurera à la Ville de Winnipeg une source permanente de revenus;
- résultera en des synergies opérationnelles;
- contribuera à la revitalisation de Winnipeg grâce à un nouvel immeuble de bureaux de 400 000 pieds carrés dans le centre-ville.

Hydro-Manitoba est en bonne forme financière. Les habitants du Manitoba continueront de bénéficier des tarifs d'électricité les plus faibles en Amérique du Nord.

Total des dépenses prévues pour la protection contre les inondations[1]

	1999-2000	2000-2001	2001-2002	2002-2003
		(Milliers de dollars)		
Total des dépenses budgétaires	23 850,0	24 752,1	22 648,6	23 305,2
Total des recouvrements auprès des gouvernements locaux et fédéral	(10 341,1)	(11 437,2)	(9 273,9)	(5 758,1)
Dépenses provinciales nettes	13 508,9	13 314,9	13 374,7	17 547,1

[1] Déduction faite des fonds affectés à la rénovation et à l'élargissement du canal de dérivation de la rivière Rouge

Protection contre les inondations

Les vastes ressources en eau du Manitoba sont un atout précieux, mais elles représentent un défi. Nombre de Manitobains et de Manitobaines ont fait l'expérience des dangers liés aux inondations. Notre gouvernement demeure fermement déterminé à mettre en œuvre de nouvelles mesures de protection contre les inondations.

Depuis notre arrivée au pouvoir, nous avons amélioré les portes vannes et l'entrée du canal de dérivation de la rivière Rouge, ce qui a permis d'accroître sa capacité de sept pour cent. Nous sommes également en train de protéger contre les inondations les maisons et les entreprises situées à l'extérieur des communautés endiguées.

Plus de 1 600 projets de protection ont été entrepris, à un coût estimé de 60 millions de dollars.

Dans ce Budget 2002, nous continuons à faire d'importants investissements dans les mesures de protection contre les inondations.

Ensemble, les trois paliers de gouvernement ont commandé une étude des deux principales options de protection supplémentaire contre les inondations, qui sont la construction d'une structure de retenue à Sainte-Agathe et l'élargissement du canal de dérivation de la rivière Rouge.

Le rapport publié par la Commission de protection de l'environnement après une série de réunions publiques a clairement indiqué que la population manitobaine veut que la réalisation du projet de protection de Winnipeg et du Manitoba contre les inondations commence dès maintenant. L'engagement de ce gouvernement envers l'élargissement du canal de dérivation de la rivière Rouge est ferme et bénéficie du soutien de l'opposition officielle. Quarante millions de dollars seront consacrés à l'expansion du canal de dérivation pendant l'exercice 2002-2003 : 20 millions de dollars provenant du budget de fonctionnement, plus 20 millions de dollars en immobilisations.

Voirie

Il est essentiel d'avoir une solide infrastructure de transport pour assurer la croissance économique et pour améliorer notre niveau de vie collectif. On trouve au Manitoba de nombreuses collectivités dont les besoins en matière de transport sont uniques et importants. L'infrastructure de transport doit exister aux endroits où la population en a besoin.

Pour la première fois, nous annonçons un investissement en immobilisations de 600 millions de dollars sur cinq ans consacré à la construction de routes.

Après n'avoir investi aucune ressource dans notre réseau routier pendant cinq ans, le gouvernement

fédéral a finalement consacré des fonds à la construction de routes au Manitoba en 2001. Le financement qu'il y a consacré représente toutefois moins de cinq pour cent des fonds recueillis chaque année en taxes sur l'essence. Le Manitoba a besoin d'un engagement fédéral plus important pour rebâtir son réseau routier.

Il nous faut une stratégie à long terme pour répondre aux besoins de transport dans notre province. Nous allons également consulter la population manitobaine pour déterminer les besoins à long terme de notre système de transport.

Nous n'allons toutefois pas attendre les résultats de cette consultation pour passer à l'action. Dans le Budget 2002, nous augmentons le montant des fonds consacrés à la construction de routes de presque 16 pour cent, ce qui porte le total de ce poste de dépenses à 120 millions de dollars.

Pour la première fois, nous annonçons également un investissement en immobilisations de 600 millions de dollars sur cinq ans consacré à la construction de routes.

COMMUNAUTÉS RURALES

Notre gouvernement aide les communautés de toute la province à bâtir pour les générations futures tout en relevant les défis d'aujourd'hui. L'amélioration des possibilités d'éducation, la baisse des tarifs d'électricité, la réduction des taux de cotisation d'impôt agricole, et l'amélioration du drainage et de l'aménagement des bassins hydrographiques ont apporté un plus grand espoir et engendré davantage d'optimisme dans les communautés rurales du Manitoba.

Nous prenons des mesures pour augmenter le soutien financier accordé aux communautés rurales du Manitoba. Un outil important dans cette entreprise est l'initiative Pont entre les générations, un programme novateur de transfert des terres conçu pour faciliter la transmission des exploitations agricoles familiales d'une génération à l'autre.

Pour aider les agriculteurs manitobains à profiter des nouvelles cultures et des nouveaux produits, nous avons consacré l'année dernière 42,4 millions de dollars à 38 nouveaux projets de diversification dans le cadre du Programme de garanties de prêts pour la diversification de la Société du crédit agricole du Manitoba. Nous avons rendu aux agriculteurs sept millions de dollars supplémentaires en réduisant à 26 pour cent la portion d'évaluation foncière agricole, qui était jusqu'alors de 30 pour cent. Le Régime d'assurance-récolte du Manitoba a également remboursé 12,9 millions de dollars l'an dernier dans le cadre du programme Garantie contre l'humidité excessive introduit pendant l'exercice 2000-2001.

Notre engagement de 6,3 millions de dollars envers le Programme des routes du grain des Prairies a joué un grand rôle dans l'amélioration de l'infrastructure agricole. Nous améliorons également l'infrastructure de transformation à valeur ajoutée du Manitoba avec un investissement supplémentaire dans le Centre de développement des produits alimentaires de Portage-la-Prairie.

En partenariat avec l'Université du Manitoba et le ministère de la Diversification de l'économie de l'Ouest, la Province s'est engagée à bâtir dans le SMARTpark de l'université un Centre de recherche sur les aliments fonctionnels à la pointe de la technologie, dont le coût sera de 25 millions de dollars. Ce centre permettra de déterminer de quelle manière les produits du Manitoba peuvent être transformés en aliments fonctionnels à plus grande valeur ajoutée.

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Une fois de plus, notre gouvernement s'est engagé à travailler avec les producteurs pour offrir des programmes de protection du revenu qui répondent mieux à leurs besoins. Le Budget 2002 garantit que les agriculteurs auront les outils nécessaires pour prendre les décisions de gestion agricole qui s'imposent, en offrant une meilleure couverture de l'assurance-récolte et des projets pilotes novateurs.

En collaboration avec les coopérations de développement économique, les Initiatives de développement économique rural jouent un rôle essentiel pour aider les communautés et organisations rurales à répondre aux priorités et aux besoins locaux. Elles apportent un soutien qui permet de créer des possibilités d'affaires pour les jeunes, d'appuyer l'industrie et de développer l'infrastructure.

Grâce à des incitations financières et aux efforts déployés pour encourager une plus grande participation, la plupart des municipalités manitobaines participent maintenant à des districts d'aménagement. L'établissement de partenariats entre les municipalités et notre gouvernement pour assurer l'aménagement durable des ressources en eau a été une réussite. La superficie du territoire géré par les districts de conservation organisés a augmenté de 40 pour cent depuis 1999.

Aujourd'hui, nous accordons davantage de ressources aux projets de drainage dans les communautés manitobaines et une aide financière aux initiatives de gestion du bétail qui tiennent compte des questions de la qualité de l'eau. Les projets de drainage se verront consacrer 10,1 millions de dollars dans ce budget, soit une augmentation de 1,7 million de dollars au cours des deux dernières années.

Monsieur le Président, nous aidons les communautés à relever les défis d'aujourd'hui, tout en améliorant leur infrastructure sociale et économique pour l'avenir.

INITIATIVES URBAINES

Nos centres urbains sont en pleine transformation grâce à une période prolongée de construction et de revitalisation.

Par exemple, grâce à des investissements ciblés et à des partenariats entre le secteur privé et tous les paliers de gouvernement, la capacité de Winnipeg à accueillir de manière viable les investissements d'affaires s'est améliorée.

Plusieurs projets sont actuellement en cours de réalisation :

- le nouveau campus du Red River College au centre-ville;
- la Bibliothèque du Millénaire;
- la promenade riveraine du quartier de la Bourse;
- le complexe de loisirs True North;
- le Centre des congrès;
- l'aménagement de la rue Main et du pont Provencher.

En plus du programme Quartiers vivants et de l'initiative Logement et Sans-abri de Winnipeg, nous avons récemment annoncé la mise sur pied, en partenariat avec la Ville de Winnipeg, du programme Renforcement des collectivités. Grâce à son budget de 14 millions de dollars, ce programme permettra de financer toute une gamme de projets d'immobilisations, y compris l'amélioration d'installations communautaires, d'infrastructures municipales et de logements, ainsi que l'acquisition de biens-fonds à Winnipeg.

Avec la participation totale de la Ville de Winnipeg, nous nous sommes engagés à renouveler le cadre législatif qui régit les opérations de la Ville.

Nous sommes déjà en train de collaborer avec les gouvernements de la région de la capitale pour mettre au point un programme d'élimination des larves de moustiques.

Les villes de Brandon et de Thompson ont aussi réalisé des bénéfices mesurables grâce aux sociétés de revitalisation des quartiers financées dans le cadre de l'initiative Quartiers vivants. Nous avons annoncé en février que la Province investira 700 000 dollars sur cinq ans dans le développement économique communautaire, la revitalisation des vieux quartiers et les partenariats communautaires dans ces deux villes.

Brandon a reçu un important appui financier dans d'autres domaines, notamment :

- 58 millions de dollars pour un plan d'aménagement des installations au Centre régional de santé de Brandon;
- un engagement annuel de 250 000 dollars en subventions de fonctionnement et d'immobilisations ciblées pour le Keystone Centre pour une période de trois ans;
- une subvention de 100 000 dollars à l'institut de développement régional de l'Université de Brandon;
- des ressources importantes pour la conversion, rénovation ou construction de plus de 200 logements pour les familles à revenu faible ou moyen;

- du soutien pour de nouvelles possibilités offertes aux enfants et aux adolescents dans le cadre du programme Lighthouse, d'une garderie située au centre-ville et d'une augmentation du nombre de places au Assiniboine Community College.

Le Budget 2002 maintiendra le niveau de financement offert dans le cadre du programme de partage des recettes fiscales entre la Province et les municipalités, et ce, en dépit des incertitudes résultant de l'erreur comptable du gouvernement fédéral et de la baisse importante des recettes de l'impôt sur le revenu des sociétés.

Monsieur le Président, des centres urbains dynamiques attirent les investissements et les nouvelles possibilités dont profite toute la population du Manitoba. Notre gouvernement continuera à bâtir avec les gouvernements locaux et le secteur privé le type de partenariats qui donne de bons résultats.

COMMUNAUTÉS AUTOCHTONES ET DU NORD

Depuis de nombreuses années, quand nous considérons le Nord du Manitoba, nous reconnaissons l'immensité de son potentiel inexploité. Citons entre autres de meilleures initiatives d'écotourisme qui attireront dans le Nord un plus grand nombre d'adeptes des excursions d'aventure, ainsi que d'autres touristes.

Nous nous rendons également compte que les habitants du Nord font face à de nombreux défis, notamment en ce qui a trait au transport, au traitement des eaux usées et à la purification de l'eau, ainsi qu'à l'accès aux services essentiels.

L'automne dernier, nous avons lancé la Stratégie de développement du Nord, un plan à long terme qui englobe le logement, la santé, les transports, l'emploi et la formation, et le développement économique. Le Budget 2002 accroît le soutien accordé à cette stratégie.

De grands progrès ont été accomplis en ce qui concerne l'administration de la justice et les Autochtones. Le rapport de la Commission de mise en œuvre des recommandations sur la justice autochtone, que nous avons reçu l'an passé, constate que le système de justice criminelle n'est pas seul en cause. Le dossier de la justice et des Autochtones comporte des enjeux plus vastes, comme la protection de l'enfance, l'éducation, l'emploi et le renforcement des communautés. Nous préparons actuellement des stratégies d'action dans ce domaine, tant immédiates qu'à long terme, et nous donnerons suite de manière globale et officielle aux recommandations de la Commission sous peu.

Des ententes historiques ont été signées avec les Métis et les Premières nations sur la cogestion des ressources locales, y compris ce qui se rapporte à la foresterie et à la pêche. Nous avons également annoncé des mesures d'amélioration des installations de traitement des eaux usées et de purification de l'eau dans diverses communautés.

Avec nos partenaires, nous avons travaillé à l'élaboration d'une Stratégie de logement dans le Nord. Nous verrons bientôt la construction à Thompson d'une maison éconergétique de démonstration .

Le Nord du Manitoba bénéficiera de la mesure fédérale-provinciale de financement annoncée en novembre dernier : deux millions de dollars seront consacrés à

l'exploration minière, dans le but d'évaluer le potentiel de la région en métaux précieux et en métaux des terres rares.

Je suis heureux d'annoncer aujourd'hui un nouveau crédit d'impôt à l'exploration minière de dix pour cent. Cette initiative a pour but de contribuer à la recherche de nouveaux gisements qui pourraient mener à l'établissement de nouvelles opérations minières et à la création de nouveaux emplois dans les régions rurales et le Nord du Manitoba.

Nous allons poursuivre notre collaboration avec les communautés autochtones et les autres communautés du Nord, afin de saisir les opportunités qui se présenteront dans l'avenir.

GÉRANCE DE L'ENVIRONNEMENT

La gérance de l'environnement est un élément indispensable de tout développement économique. Le Budget 2002 appuie un environnement plus sain. Il est donc tout à fait approprié que nous le déposions le Jour de la terre.

Notre stratégie économique est durable car elle respecte l'environnement. Nous avons pris diverses mesures à l'égard de cet enjeu très important, comme la conversion de l'usine hydroélectrique de Selkirk du charbon au gaz naturel. Nous donnons également suite aux recommandations du rapport du Groupe de travail sur le changement climatique au Manitoba.

Nous avons lancé l'Initiative de développement énergétique, dans le but de promouvoir toutes les possibilités que pourrait exploiter Hydro-Manitoba, un service public qui a le mérite d'avoir prévenu chaque année l'émission dans l'atmosphère de 10 millions de tonnes de gaz à effet de serre. Ce programme place le Manitoba à l'avant-garde du développement des sources d'énergie renouvelables, entre autres l'énergie géothermique et celle que peuvent produire la biomasse, le vent et l'hydrogène.

On trouve également une industrie de l'éthanol en pleine croissance. Comme d'autres gouvernements d'Amérique du Nord, nous reconnaissons maintenant les avantages que procure l'utilisation accrue de l'éthanol pour la diversification agricole et pour les objectifs que nous poursuivons dans le dossier du changement climatique.

Au Minnesota, nos voisins du sud ont déjà rendu obligatoire un mélange à 10 pour cent dans tous les carburants vendus dans cet état. Selon nous, il est souhaitable et possible d'imposer une telle obligation au Manitoba. Dans les mois à venir, nous consulterons activement la population manitobaine dans le but de déterminer la meilleure manière d'atteindre cet objectif et d'en maximiser les bénéfices pour les Manitobains et les Manitobaines.

La préservation de régions naturelles à des fins de stockage de carbone est un autre élément clé du plan gouvernemental relatif au changement climatique. Notre crédit d'impôt pour les terrains écologiquement vulnérables nous permettra de mieux protéger les terres avoisinant les berges de nos ruisseaux et de nos rivières, alors que notre politique de forêts durables, annoncée récemment, favorisera nos efforts de protection des zones forestières essentielles.

La protection de l'eau potable est une des grandes priorités du Budget 2002, et nous y avons notamment consacré de nouvelles ressources pour la surveillance, les tests et le soutien de l'infrastructure locale.

Nous sommes fiers de ce que nous avons accompli dans le domaine du développement durable. Nous allons poursuivre sur notre lancée en mettant sur pied des programmes qui feront valoir notre position de chef de file tout en protégeant nos ressources.

PERSPECTIVES FINANCIÈRES ET ÉQUILIBRE BUDGÉTAIRE

Malgré la performance économique relativement forte du Manitoba en 2001, et malgré les prévisions selon lesquelles le Manitoba sera parmi les cinq provinces les mieux placées en 2002, deux nuages noirs assombrissent notre horizon financier. Les recettes provenant de l'impôt sur les bénéfices des sociétés ont diminué cette année, et nous allons continuer à ressentir les effets de l'erreur du gouvernement

Cadre financier à moyen terme

	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006
			(Millions de dollars)		
Recettes	6 900	6 941	7 069	7 246	7 516
Dépenses					
Programmes	6 388	6 560	6 691	6 825	6 961
Coût de la dette publique	391	368	368	368	368
Total	6 779	6 928	7 059	7 193	7 329
Recettes nettes	121	13	10	53	187
Transferts interfonds					
Remboursement de la dette et de l'obligation découlant des régimes de retraite	(96)	(96)	(96)	(96)	(121)
Fonds de stabilisation des recettes	0	93	96	53	(56)
Solde, conformément aux mesures législatives sur l'équilibre budgétaire	25	10	10	10	10

Le Cadre financier à moyen terme reflète les hypothèses et les prévisions actuelles. Si les circonstances futures s'en éloignent, les décisions budgétaires refléteront les nouvelles circonstances.

[1] Prévisions – 3e trimestre

La protection de l'eau potable est une des grandes priorités du Budget 2002, et nous y avons notamment consacré de nouvelles ressources pour la surveillance, les tests et le soutien de l'infrastructure locale.

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[1] Prévisions - 3e trimestre

État comparatif des recettes, des dépenses et des transferts, et solde budgétaire

2002-2003 et 2001-2002

	Budget 2002-2003	Prévisions 2001-2002[1] 3e trimestre	Budget 2001-2002 (ajusté[1])	Écart positif/(négatif) entre les prévisions du 3e trimestre et le budget 2002-2003		Écart positif/(négatif) entre le budget 2001-2002 et le budget 2002-2003	
		(Millions de dollars)		(Millions de dollars)	%	(Millions de dollars)	%
Recettes							
Autonomes	4 579	4 690	4 676	(111)	(2,4)	(97)	(2,1)
Transferts fédéraux	2 362	2 210	2 127	152	6,9	235	11,0
Total des recettes	6 941	6 900	6 803	41	0,6	138	2,0
Dépenses							
Programmes	6 560	6 388	6 318	172	2,7	242	3,8
Service de la dette	368	391	439	(23)	(5,9)	(71)	(16,2)
Total des dépenses	6 928	6 779	6 757	149	2,2	171	2,5
Recettes nettes	13	121	46	(108)	(89,3)	(33)	(71,7)
Transferts interfonds							
Remboursement de la dette et de l'obligation découlant des régimes de retraite	(96)	(96)	(96)	0	0,0	0	0,0
Fonds de stabilisation des recettes	93	0	60	93	s.o.	33	55,0
Solde, conformément aux mesures législatives sur l'équilibre budgétaire	10	25	10	(15)	(60,0)	0	0,0

[1] Les renseignements concernant l'exercice 2001-2002 ont été ajustés pour correspondre à la présentation des prévisions du Budget 2002-2003. Les prévisions de 2001 sont fondées sur l'état financier du troisième trimestre.

fédéral ayant trait aux paiements de l'impôt sur le revenu.

Les prévisions fédérales indiquent que le ralentissement de l'économie canadienne a produit des recettes moindres que prévues au chapitre de l'impôt sur les bénéfices des sociétés. Pour le Manitoba, ces recettes diminueront de 60 pour cent, soit presque 230 millions de dollars, par rapport aux prévisions de l'an passé.

Un deuxième défi résulte de l'erreur comptable du gouvernement fédéral ayant trait à l'impôt sur le revenu provenant de fonds placés en fiducie mutuelle. En me basant sur un précédent de poids et sur les assurances du ministre fédéral des Finances, j'ai la certitude que nous arriverons à trouver une solution à la fois équitable et satisfaisante. Le Budget 2002 adopte une hypothèse prudente : la réalisation d'une compensation au chapitre de la péréquation pour chaque année de déduction ou de recouvrement dans le contexte de cette erreur de remboursement se rapportant aux fiducies mutuelles.

D'autres mesures sont également requises pour s'assurer de répondre aux priorités de la population du Manitoba, pour équilibrer le budget et pour relever les défis que pose cette perte de recettes :

Épargne fiscale personnelle - Total cumulatif depuis 1999

Crédits d'impôt personnel et d'impôt foncier en matière d'éducation, et diminution de la taxe d'aide à l'éducation

	Mise en œuvre :				Total cumulatif des années
	2000	2001	2002	2003	
	(Millions de dollars)				(Millions de dollars)
Réductions d'impôt sur le revenu des particuliers :					
Budget de l'an 2000	9	68	34		111
Budget de l'an 2001		29	7	18	54
Budget de l'an 2002			15		15
Total					181
Augmentations du crédit d'impôt foncier en matière d'éducation et diminution de la taxe d'aide à l'éducation :					
Budget de l'an 2000	26				26
Budget de l'an 2001		27			27
Budget de l'an 2002			10		10
Total					63
Totaux annuels	**35**	**124**	**67**	**18**	
Totaux cumulatifs, par année	**35**	**159**	**226**	**244**	**244**

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- le présent budget prévoit une hausse des dépenses de 2,5 pour cent dans l'ensemble, soit l'augmentation la plus faible des dépenses d'un budget à l'autre en cinq ans;
- il y aura une hausse des dépenses dans seulement sept ministères;
- les ministères devront réduire leurs dépenses discrétionnaires;
- les heures supplémentaires seront réduites dans tous les ministères;
- le présent budget vise un taux de vacance de postes de six pour cent dans l'ensemble de l'appareil gouvernemental, ce qui représente une hausse par rapport aux quatre pour cent de l'an passé;
- le coût de la dette publique a été réduit de 20 millions de dollars supplémentaires par rapport à l'an passé.

Bien qu'il y ait pour le moment une diminution des recettes provenant de l'impôt sur les bénéfices des sociétés, une société manitobaine réalise de grands bénéfices sans payer la moindre taxe. À la suite d'une demande d'exportation plus forte vers les États-Unis, Hydro-Manitoba devrait, selon les prévisions, réaliser des bénéfices de plus de 400 millions de dollars de 2001-2002 à 2003-2004.

Étant donné les défis qu'entraîne l'erreur du gouvernement fédéral, Hydro-Manitoba devra verser à la Province 288 millions de dollars en paiements spéciaux sur les bénéfices à l'exportation. Grâce à ces paiements, les familles du Manitoba n'auront pas à subir l'essentiel des conséquences de l'erreur fédérale et de la baisse des recettes provenant de l'impôt sur les bénéfices des sociétés. Ces versements permettront de combler la perte de recettes jusqu'à la réparation complète de l'erreur fédérale et la remontée des recettes provenant de l'impôt sur les bénéfices des sociétés.

Le présent budget prévoit une hausse des dépenses de 2,5 pour cent dans l'ensemble, soit l'augmentation la plus faible des dépenses d'un budget à l'autre en cinq ans.

Pour l'année 2001-2002, un montant de 150 millions de dollars tirés des bénéfices à l'exportation d'Hydro-Manitoba permet d'éviter tout recours au Fonds de stabilisation des recettes. Pour 2002-2003, les prévisions budgétaires indiquent que 75 millions de dollars supplémentaires proviendront de la même source. Et de même en 2003-2004, un montant supplémentaire de 63 millions de dollars. Au début de 2002-2003, le Fonds disposera de 359 millions de dollars, un montant qui nous aidera à faire face à un avenir incertain.

À court terme, ces prélèvements équivaudront approximativement à 60 pour cent de toute l'électricité vendue aux États-Unis l'an passé seulement.

Nous annonçons également un certain nombre de redressements fiscaux dans le but d'améliorer les recettes budgétaires. Divers changements au niveau de l'administration de la taxe de vente, et un changement à son application aux contrats relatifs aux installations électriques et mécaniques, produiront ensemble des recettes supplémentaires de 10,4 millions de dollars. En y ajoutant tous les autres changements annoncés aujourd'hui, les recettes budgétaires pour l'exercice 2002-2003 dépasseront légèrement 6,9 milliards de dollars, soit un montant supérieur de moins de un pour cent aux recettes réelles de 2001-2002.

Afin de satisfaire aux mesures législatives sur l'équilibre budgétaire, il est nécessaire d'effectuer un prélèvement de 93 millions de dollars du Fonds de stabilisation des recettes. Il s'agira du premier recours au Fonds en trois ans, et ce transfert sera remarquablement moindre que les retraits du gouvernement précédent en 1998-1999 et en 1999-2000.

Nous prévoyons un solde positif de 25 millions de dollars pour l'exercice 2001-2002, et un solde positif de dix millions pour chacun des quatre exercices suivants. Selon nos prévisions financières à moyen terme, le Fonds de stabilisation des recettes devrait commencer à se remplir de nouveau d'ici l'exercice 2005-2006. Cela aura lieu, non par la vente des éléments d'actif de la Province, comme ce fut le cas avec le gouvernement précédent, mais par des décisions prudentes et fermes au chapitre des recettes et des dépenses.

Transparence et obligation de rendre compte

Pour la troisième année consécutive, notre gouvernement consacre 96 millions de dollars au remboursement de la dette. Ces fonds contribueront à nos objectifs: l'élimination de la dette générale et la capitalisation de l'obligation provinciale à long terme découlant des régimes de retraite. En 2001-2002, des 96 millions de dollars affectés au remboursement de la dette, notre gouvernement a consacré 75 millions à l'obligation découlant des régimes de retraite, une mesure qui sauvera à la population du Manitoba 51 millions de dollars au cours des 28 prochaines années.

Pour la troisième année consécutive, notre gouvernement consacre 96 millions de dollars au remboursement de la dette.

Il y a plus de quarante ans, le gouvernement du Manitoba a décidé de ne plus capitaliser les régimes de retraite de ses fonctionnaires et des enseignants. En 1990, l'obligation découlant des régimes de retraite atteignait 1,2 milliards de dollars et, en 1999, 2,7 milliards. Si rien n'était fait, l'obligation atteindrait 10,6 milliards d'ici l'an 2035.

En l'an 2000, nous avons introduit le premier plan de réduction de toute l'obligation découlant des régimes de retraite. Je suis heureux d'annoncer aujourd'hui que

le 1er octobre 2002, pour la première fois en quarante ans, le coût entier du régime de retraite de chaque nouveau fonctionnaire sera la responsabilité du ministère ou de l'organisme gouvernemental qui l'embauche. Cette mesure aura comme résultat de permettre la capitalisation intégrale de l'obligation provinciale découlant des régimes de retraite, d'ici l'an 2029.

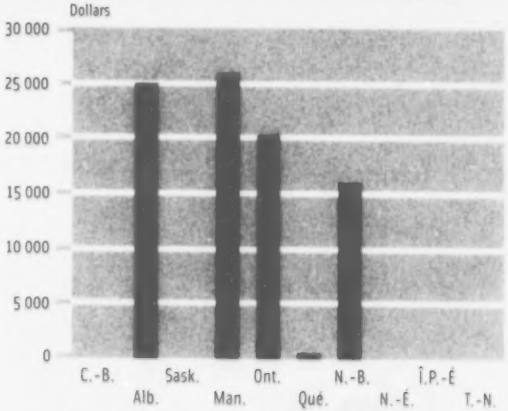
Impôt sur le revenu des particuliers

Deux réductions majeures de l'impôt sur le revenu des particuliers sont entrées en vigueur au début de l'année : le taux de prélèvement pour la tranche d'imposition intermédiaire est passé de 16,2 pour cent à 15,4 pour cent, et le seuil d'imposition qui sépare la tranche intermédiaire de la tranche supérieure est passé de 61 089 dollars à 65 000 dollars.

J'ai le plaisir d'annoncer aujourd'hui que le Budget 2002 accroît de trois pour cent les crédits d'impôt non remboursables, soit une épargne fiscale annuelle de 15,3 millions de dollars pour la population du Manitoba. De plus, cette mesure enlèvera 5 400 Manitobains à faible revenu des rôles d'imposition. Les changements introduits dans les trois premiers budgets de notre gouvernement ont comme résultat de retirer 24 000 Manitobains des rôles d'imposition, en plus d'accorder une épargne fiscale moyenne de 11,5 pour cent au chapitre de l'impôt sur le revenu des particuliers.

Le crédit d'impôt foncier en matière d'éducation accorde à la plupart des propriétaires et des locataires

Comparaison interprovinciale – Épargnes d'impôt cumulatives sur les bénéfices pour une petite entreprise ayant un revenu annuel imposable de 400 000 $ de 2002 à 2005



Source : Finances Manitoba

une réduction de 400 dollars de l'impôt foncier destiné aux commissions scolaires, soit 150 dollars supplémentaires depuis 1999. Nous réduisons également l'impôt foncier de façon directe. Nous avons annoncé récemment une réduction de 10 pour cent de la taxe d'aide à l'éducation, ce qui représente une économie supplémentaire de 10 millions de dollars pour la population manitobaine.

J'ai le plaisir de confirmer notre intention d'éliminer graduellement la taxe résidentielle d'aide à l'éducation au cours des cinq prochaines années, ce qui représente pour les propriétaires une épargne de presque 100 millions de dollars au chapitre de l'impôt foncier et, pour tous, un impôt foncier de moins à payer.

Nous allons poursuivre notre collaboration avec les principaux intéressés et avec l'ensemble des Manitobains et des Manitobaines afin de rendre les impôts fonciers et les crédits d'impôt plus transparents et comptables devant la population.

J'ai le plaisir de confirmer notre intention d'éliminer graduellement la taxe résidentielle d'aide à l'éducation au cours des cinq prochaines années.

En incluant les divers changements annoncés aujourd'hui, les trois premiers budgets de notre gouvernement produisent un allègement de l'impôt sur le revenu des particuliers et de l'impôt foncier qui est à la fois important et durable et qui s'élève à 244 millions de dollars par année.

De plus, à la demande du milieu des affaires, nous prolongeons de trois autres années le crédit d'impôt du Manitoba à l'acnat d'actions.

Impôt sur les bénéfices des sociétés

Nos deux premiers budgets ont réduit de façon marquée l'impôt sur les bénéfices des petites entreprises, en plus de présenter la première diminution du taux général de l'impôt sur les bénéfices des sociétés depuis la Deuxième Guerre mondiale. Le premier janvier de cette année, le plafond des bénéfices imposables des petites entreprises, en deçà duquel elles ont droit à un taux réduit d'imposition, est passé de 200 000 dollars à 300 000 dollars. Dans le but de permettre aux petites entreprises de continuer à prospérer, nous nous engageons dans le présent Budget à élever le plafond d'admissibilité à 400 000 dollars d'ici 2005. Il s'agira d'une augmentation graduelle, commençant le premier janvier prochain avec un plafond de 320 000 dollars.

Depuis l'entrée en fonctions de notre gouvernement, le taux d'imposition des petites entreprises est passé de huit pour cent à cinq pour cent. Ce taux plus bas et le rehaussement du plafond d'admissibilité représentent au total une immense amélioration de la compétitivité fiscale des petites entreprises du Manitoba.

CONCLUSION

Nous travaillons sans relâche à répondre aux principales priorités des Manitobains et Manitobaines :

- un système public de soins de santé de qualité;
- de nouvelles possibilités dans le domaine de l'éducation, et de meilleures écoles;
- des familles plus stables et des collectivités plus sécuritaires;
- le développement économique et des emplois;
- l'équilibre budgétaire;

- un gouvernement à la mesure de nos moyens.
- Nous relevons les défis d'aujourd'hui. Nous sommes déterminés à continuer de bâtir l'avenir du Manitoba. De nouveaux développements stimulants se produisent partout au Manitoba, tant dans le Nord et les régions rurales que dans le centre-ville de Winnipeg ou de Brandon. Bien que les Manitobains et les Manitobaines de toutes les couches de la société reconnaissent les obstacles qui sont les nôtres, leur optimisme demeure véritable et contagieux.

Les Manitobains et les Manitobaines sont à un moment merveilleux de leur histoire. Nous avons fait la preuve que nous pouvons affronter l'adversité et néanmoins réussir dans nos entreprises, sans perdre de vue nos objectifs à long terme.

Dans nos trois premiers budgets, nous avons investi 500 millions de dollars supplémentaires, soit 2,5 pour cent par année, pour répondre aux besoins de la population du Manitoba en matière de santé et d'éducation, ainsi qu'aux besoins des enfants et des communautés. Parallèlement, nous avons offert un total de 244 millions de dollars en réductions de taxes sur l'impôt des particuliers et consacré 288 millions de dollars à la réduction de la dette de fonctionnement.

Les Manitobains et les Manitobaines sont à un moment merveilleux de leur histoire. Nous avons fait la preuve que nous pouvons affronter l'adversité et néanmoins réussir dans nos entreprises, sans perdre de vue nos objectifs à long terme.

C'est dans un tel esprit que je vous présente, avec fierté, le Budget 2002 du Manitoba. Ce Budget est équitable, il est équilibré et il est axé sur l'avenir. Il représente la continuation de notre progrès vers un lendemain à la fois brillant et stable pour les familles du Manitoba. Nous relevons les défis d'aujourd'hui et nous bâtissons l'avenir du Manitoba.

MANITOBA 2002

> BUDGET PAPERS

MEETING TODAY'S CHALLENGES.
BUILDING FOR THE FUTURE.

The 2002 Manitoba Budget

Budget Papers

The Honourable Gregory F. Selinger
Minister of Finance
April 22, 2002

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2002 Estimates of Expenditure,
2002 Estimates of Revenue,
The Manitoba Advantage,
the latest Quarterly Financial Report and
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THE 2002 MANITOBA BUDGET

BUDGET PAPERS

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The 2002 Manitoba Budget Address

Budget Paper A

THE ECONOMY

THE ECONOMY

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CANADIAN ECONOMY

The Canadian economy grew 1.5% in real terms in 2001, down from 4.4% growth in 2000. Gross Domestic Product (GDP) declined only in the third quarter last year, then recovered in the fourth quarter. This avoided two consecutive quarters of negative growth, or a 'technical recession'. Nominal GDP increased 2.7%, down considerably from the 8.3% posted in 2000, and the lowest annual increase since 1992 (see Chart 1).

After nearly a decade of strong expansion, growth in both the Canadian and U.S. economies fell considerably last year. In Canada, a sharp decline in business investment, weaker foreign exports and lower manufacturing output were responsible for slowing the pace of real growth through 2001.

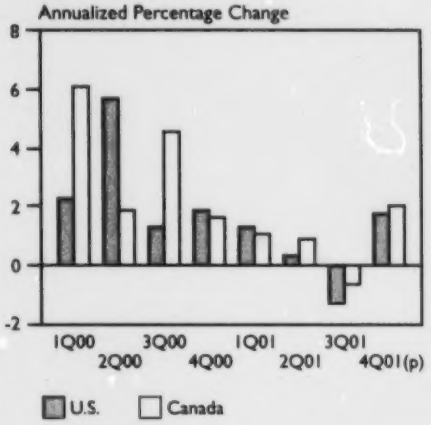
In contrast, Canadian consumer spending remained relatively steady through the year. Throughout 2001, both the U.S. Federal Reserve and the Bank of Canada responded to weakening business conditions with substantial monetary easing. The Bank of Canada lowered the bank rate 10 times between January 2001 and January 2002, for a total reduction of 375 basis points (see Chart 2).

Reductions in the cost of borrowing, particularly low- and zero-interest financing incentives for new automobiles, prompted a 4.2% real increase in durable goods expenditures in 2001. As residential mortgage rates fell to levels not seen in over 40 years, consumers also spent enthusiastically on homes: the value of residential investment increased 4.4%, and Canadian housing starts increased 7.3% to 163,000, the highest level since 1992.

Total employment grew only 1.1% after average annual growth of 2.6% in the previous four years (see Chart 3). Both full-time and part-time employment advanced 1.1% in 2001. Canada's unemployment rate increased slightly to 7.2% last year, from 6.8% in 2000. The increased slack in

Chart 1

Canada and U.S. Real GDP Growth

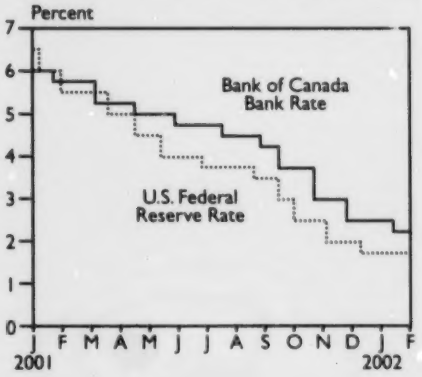


p - Preliminary

Sources: Statistics Canada and U.S. Department of Commerce

Chart 2

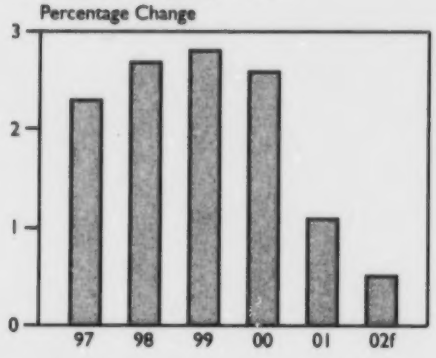
Canada and U.S. Interest Rates



Source: Bank of Canada

Chart 3

Canada Employment

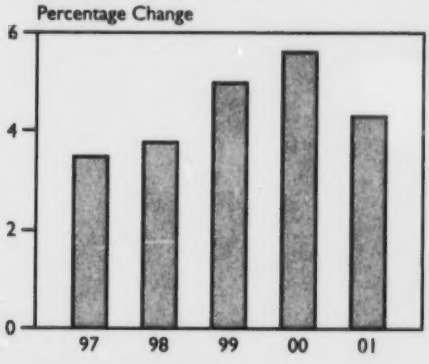


f - Forecast

Sources: 1997-2001: Statistics Canada
2002: average of economic forecasters

Chart 4

Canada Personal Disposable Income



Source: Statistics Canada

labour markets limited growth in average weekly earnings to 1.8%. Lower demand for workers resulted in shorter average time worked, as average hours worked by Canadian workers fell by 2%.

The weaker conditions in the labour market dragged total labour income growth down to 4.2%, the smallest increase since 1996. Personal income grew 3.8%, while personal disposable income grew 4.3% (see Chart 4). The average economic projections by economic forecasters, compiled by Manitoba Finance, suggests that Canada's employment will grow only 0.5% in 2002, and the unemployment rate will increase further to 7.9%.

Total real exports of all goods and services fell by 4.0%, principally because of weakness in the U.S. market. This was the first year-over-year decline in exports since 1982 and contrasts with a strong 8.1% increase in 2000. Canada's foreign merchandise exports to the U.S., which accounted for 86% of total foreign merchandise exports, declined 2.5%, while non-U.S. merchandise exports declined 5.3%. Weakness was particularly pronounced in exports of telecommunications equipment, energy commodities and forestry products.

Canada's rate of Consumer Price Index (CPI) inflation in 2001 was virtually unchanged from 2000. However, this masks the significant reductions in the energy price component of CPI beginning in the second half of the year. Overall, CPI grew 2.6% last year, with 'core' CPI (excluding food and energy) growing only 2.0%. The survey of economic forecasters shows Canada's consumer price inflation moderating to 1.4% in 2002 (see Chart 5). This inflation rate remains well within the Bank of Canada's inflation control target range of 1% to 3%.

The Canada-U.S. exchange rate declined through 2001. The U.S. dollar exchange rate averaged US$0.646 last year, down from US$0.673 in 2000.

The consensus among economic forecasters is that Canada's real GDP growth will accelerate as 2002

progresses. Several economic indicators point to strengthening economic performance in the first quarter of the year. Currently, Manitoba Finance's survey of economic forecasters shows Canada's annual real GDP is projected to increase 1.8% in 2002. Nominal GDP is projected to increase by 2.0%. These projections will likely increase over the near term as forecasts are revised to reflect the stronger than anticipated economic performance in the last quarter of 2001 and the first quarter of 2002.

MANITOBA ECONOMY

Manitoba's economy grew 1.6% in real terms in 2001, down from 3.0% growth in 2000 (see Chart 6). A pronounced decline in the rate of growth of labour income, along with a decline in aggregate corporate profits, were the principal factors that contributed to last year's weaker performance.

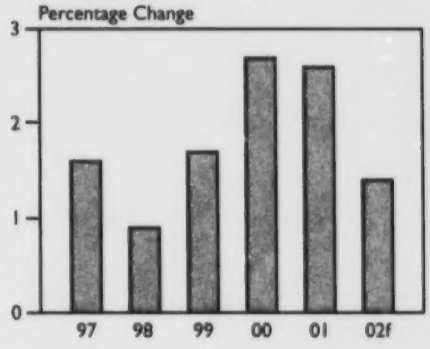
Nominal GDP in Manitoba grew 3.3% in 2001 to $34.9 billion, down from 6.4% growth in 2000.

The Manitoba Bureau of Statistics estimates that real personal expenditure grew 2.7% last year, up from 2.6% in 2000. Lower borrowing rates, personal income tax reductions and special dealer incentives for new automobile purchases lifted consumer spending last year.

Real business investment in Manitoba continued to grow in 2001, even as national business investment declined. Real spending on non-residential structures increased 1.2%, while real investment in machinery and equipment advanced 3.2%, the third consecutive year of real growth in machinery and equipment spending. Statistics Canada's February 2002 Private and Public Investment (PPI) survey indicates that private investment in Manitoba is expected to fall 2.2% in 2002, slightly less than the 2.7% decline projected by the survey for Canada overall.

Chart 5

Canada Consumer Price Index

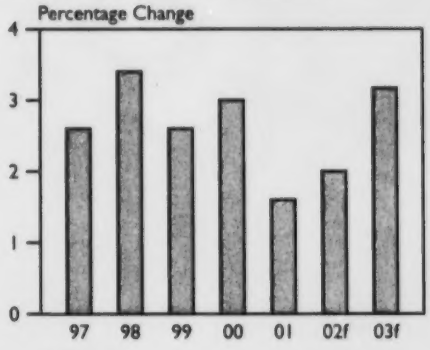


f - Forecast

Sources: 1997-2001: Statistics Canada
2002: average of economic forecasters

Chart 6

Manitoba Real Gross Domestic Product



f - Forecast

Sources: 1997-2001: Manitoba Bureau of Statistics
2002-2003: average of economic forecasters

Manitoba Real Gross Domestic Product at Basic Prices By Industry, 2000 and 2001p

(Millions of Constant 1997 Dollars)

	2000	2001p	% Change
Goods	**8,560**	**8,628**	**0.8**
Agriculture	1,492	1,479	-0.8
Mining	601	593	-1.3
Other Primary	74	72	-2.7
Manufacturing	3,894	3,901	0.2
Construction	1,343	1,379	2.7
Utilities	1,156	1,204	4.2
Services	**21,560**	**21,975**	**1.9**
Transportation & Storage	1,983	1,926	-2.8
Information & Culture	1,205	1,267	5.2
Wholesale Trade	1,838	1,955	6.4
Retail Trade	1,650	1,726	4.6
Finance & Insurance	1,235	1,260	2.0
Real Estate	1,869	1,846	-1.3
Imputed Rent	2,770	2,837	2.4
Professional Services	821	846	3.0
Other Business Services	379	398	5.2
Government	2,256	2,305	2.2
Education	1,589	1,605	1.0
Health & Social Services	2,133	2,140	0.4
Arts, Entertainment & Recreational Services	289	292	1.1
Accommodation	712	727	2.2
Other Services	831	845	1.7
GDP at Basic Prices	**30,122**	**30,604**	**1.6**

p – Preliminary
Source: Manitoba Bureau of Statistics

Manufacturing, Manitoba's largest industry, grew 0.2% in real terms last year, as weakness in the U.S. marketplace slowed shipments growth. Manitoba's agriculture industry was relatively successful last year, with higher prices for most major commodities and better growing conditions for crops in most regions of the province. Overall, farm cash receipts increased 17.2%.

Softer markets for major minerals resulted in a decline in the value of mineral production in

Manitoba last year, while improved markets for electricity saw Manitoba Hydro sales increase 12.6%.

Manitoba's retail sales grew 5.8%, the strongest annual increase since 1997, and third best among provinces. Robust growth in automobile and furniture and appliance sales helped push total retail sales up to new record levels.

Manitoba employment grew 0.6% in 2001, while the unemployment rate increased marginally. Manitoba posted the second-lowest unemployment rate among provinces. Manitoba's youth unemployment rate was also second-lowest.

Manitoba's consumer price inflation in 2001 was 2.6%, the same rate as Canada's. Significant declines in the energy component of the CPI in the latter half of 2001 were not sufficient to offset increases early in the year, resulting in a 6.4% increase in energy CPI. In contrast, CPI, excluding food and energy, rose only 1.8%. According to Manitoba Finance's survey of economic forecasters, Manitoba's CPI growth is expected to be at the national average in 2002, 1.4%.

Based on Manitoba Finance's current survey of economic forecasters, Manitoba's 2002 rate of real economic growth is expected to be higher than 2001. The survey shows that Manitoba's real GDP growth will be 2.0% in 2002, increasing to 3.2% in 2003. Revised projections for Manitoba's economic performance in 2002 are expected to improve over the near term, as forecasts are revised to reflect the stronger than anticipated economic performance in the last quarter of 2001 and the first quarter of 2002.

■ Manufacturing

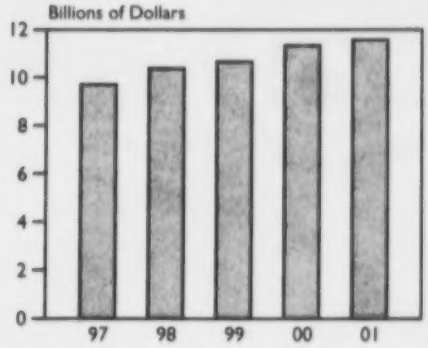
Manufacturing is Manitoba's largest industry, accounting for approximately 13% of total GDP. Manufacturing also accounts for about 64% of total foreign exports, and about 69% of exports to the

"Manitoba is once again proving that its reputation as a diversified economy is well earned. Although the North American economy showed clear signs of fatigue in 2001, the province managed to post the second highest growth rate of all the provinces."

Conference Board of Canada
February 2002

Chart 7

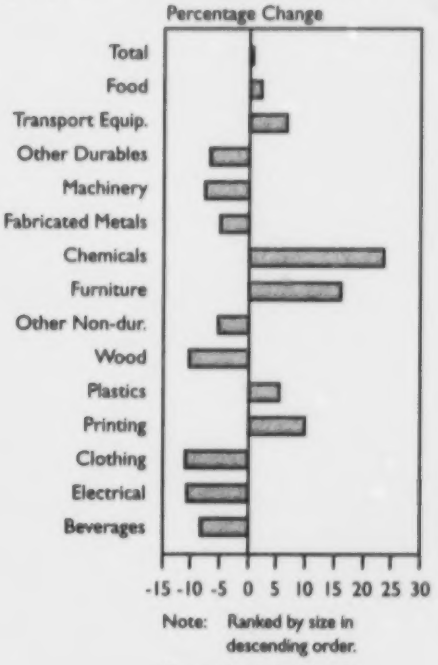
Manitoba Manufacturing Shipments



Source: Statistics Canada

Chart 8

Manitoba Manufacturing Shipments by Industry, 2001



Note: Ranked by size in descending order.

Source: Statistics Canada

U.S. Manitoba's manufacturing sector is highly diverse and includes a broad range of consumer and industrial goods.

The value of Manitoba's manufacturing shipments grew 1.1% last year to $11.5 billion, down from the 6.5% increase of 2000 (see Chart 7). Despite the lower shipments growth, Manitoba manufacturing industries outperformed the national manufacturing sector. Canada's manufacturing industries were hard hit by the North American economic slowdown, with the overall value of manufacturing shipments in Canada declining 5.2% in 2001. This was the first decline in national manufacturing shipments in a decade.

Six of the fourteen manufacturing industry categories in Manitoba posted gains in 2001 (see Chart 8). Major increases were posted in chemicals (24.4%), furniture (16.2%) and printing products (10.0%). Industries that posted shipment declines include wood products, clothing and electrical equipment, each with reductions of 10–11%.

Food processing industry shipments increased 3.1% last year. This industry has grown rapidly over the past several years, with 2001 shipments up 36% over 1998 levels. Food processing is Manitoba's largest manufacturing industry, accounting for about one-quarter of the province's manufacturing shipments and for over 10% of Manitoba's total foreign exports. Principal processed food products include processed meats, prepared vegetables, dairy products and grains/oilseeds products. Growth in this industry reflects the significant investments in new and expanded processing facilities over the past several years, with growth expected to continue over the medium term.

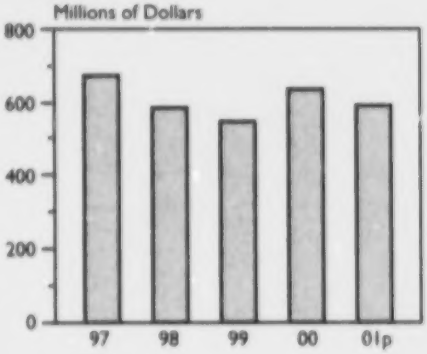
Transportation equipment posted a 7.5% gain in 2001, almost offsetting the decline in shipments posted in 2000. Principal transportation equipment products include aerospace equipment, urban and intercity buses, and recreational vehicles.

Transportation equipment is Manitoba's second largest manufacturing industry, and its largest source of foreign exports among commodity groups.

After posting a 15.6% increase in 2000, Manitoba capital investment in manufacturing declined 7.2% in 2001 (see Chart 9). Despite the decline, this performance was second-best among provinces, as manufacturing investment declined in nine of Canada's ten provinces. Nationally, manufacturing capital investment fell 18.1%.

Strong growth in manufacturing shipments and investment over the past several years has resulted in a large increase in manufacturing sector employment. Manitoba posted the strongest growth in manufacturing employment among provinces in 2000, with a 9.8% increase. Last year, Manitoba's manufacturing employment remained unchanged, while national manufacturing employment declined by 0.2%.

Chart 9
Manitoba Manufacturing Investment



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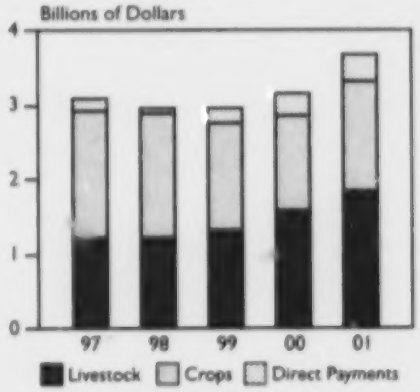
Source: Statistics Canada

Agriculture

Like the provincial economy overall, Manitoba's agriculture sector is highly diversified. In 2001, livestock receipts accounted for 55% of market receipts, while crop receipts accounted for 45%. Manitoba producers market a wide variety of livestock and crop commodities. Agriculture accounts for 20% of Manitoba's foreign commodity exports, and slightly less than 5% of Manitoba GDP directly.

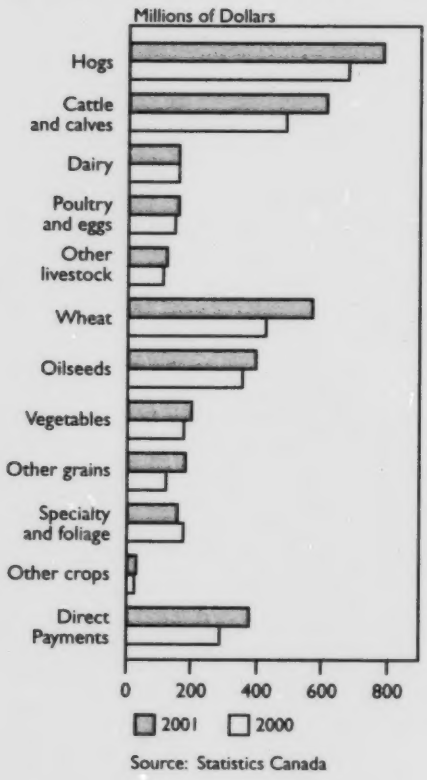
2001 was a better year for Manitoba's agriculture industry overall. Prices for most crops posted moderate gains in 2001 while cattle and hog prices were strong. Better prices, as well as growth in livestock farm production volumes, combined to boost total farm cash receipts by 17.2% to a new record level of $3.7 billion. Market receipts rose 15.8%, as receipts from livestock increased 16.4% and crops receipts rose 14.9% (see Chart 10).

Chart 10
Manitoba Farm Cash Receipts



Source: Statistics Canada

Chart 11
Manitoba Farm Cash Receipts by Product, 2001 and 2000



Source: Statistics Canada

Cash receipts for hogs increased 16.4%. Over the last three years, receipts from hog production have almost doubled, reaching $785.3 million in 2001. The number of hogs marketed increased by approximately 11%, while the average annual hog price increased about 4% (see Chart 11).

Prices for cattle and calves improved further in 2001 from already-high levels, pushing up cash receipts by 25.2% in the year. Receipts from cattle and calves reached a record high level of $608.3 million.

Stronger prices for wheat, Manitoba's principal crop, helped push up total wheat receipts by 33%. Canola prices were also much stronger, helping boost oilseeds receipts by 11.4%.

The total value of vegetables and horticultural products continued to grow in 2001. The production of vegetables, as well as specialty crops, has grown steadily in Manitoba over the last decade and has helped diversify the agriculture sector.

Direct payments to Manitoba producers – various forms of income assistance to producers, including crop insurance, income stabilization and adjustment programs – increased 32% last year to $376 million. This increase is related to increased provincial and federal support under the Agriculture Income Disaster Assistance program (AIDA) as well as increased payments under the Net Income Stabilization Account.

The Manitoba Bureau of Statistics estimates that total accrued net income of farm operators increased 41.7% last year. Net cash income increased 46.4% to $917 million.

■ Mining

The total value of mineral production in Manitoba declined 15.1% in 2001 to $1.05 billion. The reduction erased some of the 36% gain posted in 2000 (see Chart 12).

The value of nickel production declined by 26.4% as international economies weakened in the year. The lower total value of production reflects a 1.7% decline in volume, as well as a sharp decline in the price of nickel. The 2001 average London Metals Exchange (LME) price of nickel declined 31% to US$2.70. Nickel is Manitoba's most important mineral, accounting for 39% of the value of mineral production in Manitoba last year.

Zinc accounted for 13% of the value of mineral production in Manitoba in 2001, down only slightly from 2000. This relatively constant production value masked the sharp decline in zinc prices in 2001, as the LME price of this metal slipped 21% to levels near historical lows. In contrast, the volume of zinc produced in Manitoba increased 17%.

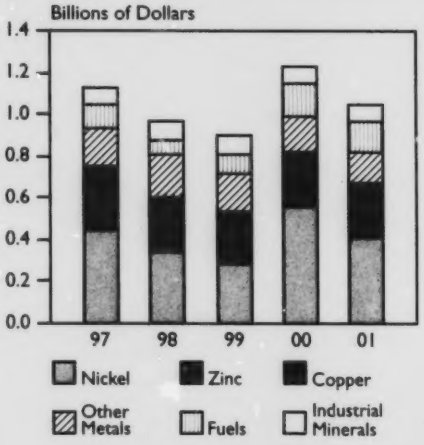
Like zinc and nickel, the price of copper dropped in 2001 in the face of weakening global economic activity. The average annual US$ LME price of copper slipped 13% in 2001, more than offsetting a small increase in the volume of production in Manitoba last year. Consequently, the value of copper produced in Manitoba fell 5.6%. Copper accounted for 12% of the value of mineral production in Manitoba last year.

The low international prices for zinc and copper and generally depressed market conditions led to the decision by Hudson Bay Mining and Smelting to move up the closing date of the Ruttan mine in Leaf Rapids. The mine is presently slated to close at the end of June 2002.

In 2001, Manitoba's gold mining industry suffered the loss of the Harmony Gold mining operation in Bissett. The mine was placed in "care and maintenance" mode in August. The value of gold mined in Manitoba last year declined 5.6% as both volume and price declined. Manitoba's other gold mine, the New Britannia facility at Snow Lake, continues as the province's only operating gold mine.

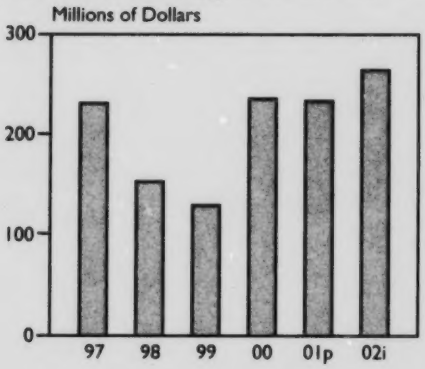
Chart 12

Manitoba Mineral Production



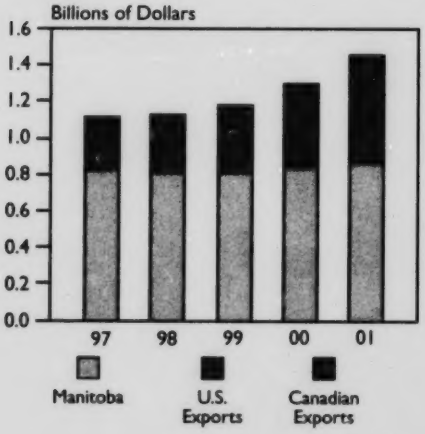
Source: Natural Resources Canada

Chart 13
Manitoba Mining Investment



p - Preliminary i - Intentions
Source: Statistics Canada

Chart 14
Manitoba Hydro-Electricity Sales



Oil producers in Manitoba's south-west region increased the volume of oil production last year by 3.5%. However, weaker prices pushed the total value of production down 18% to $135 million. Lower oil prices did not deter drilling expenditure last year, with substantial levels of oil drilling activity. Industry drilling expenditures last year are estimated at over $100 million.

The current outlook suggests that 2002 will be a relatively successful year for that industry with drilling expected to top 100 wells. Crude oil was discovered in Manitoba in 1951 and has been produced continuously ever since. There are 13 designated oil fields in Manitoba, with over 1,700 active wells.

Exploration expenditures in Manitoba increased slightly last year to $28.3 million. Exploration in the province was conducted for numerous minerals including copper, zinc, gold, diamonds, platinum group metals and nickel.

Mining investment has been one of the major sources of improved production in the province's mining industry. Both Inco Limited and Hudson Bay Mining and Smelting announced major multiyear investment projects in 2000 and subsequent years. Mining investment in Manitoba is projected to increase 12.4% in 2002 (see Chart 13).

■ Hydro-Electricity

The value of electricity sales by Manitoba Hydro increased 12.6% last year, the fourteenth consecutive annual increase. Total sales increased to $1.46 billion. Electricity sales within Manitoba increased 2.4%.

The value of export sales accounted for a record-high 41% of this total (see Chart 14). They increased 31.4% last year to $596 million. Exports to the United States, which account for 83% of total export sales, increased 41.1%.

Manitoba Hydro is the province's largest electrical utility, accounting for the great majority of electricity generation, transmission and distribution in Manitoba. Virtually all of Manitoba's electricity is produced by water, a clean, renewable source of energy. Currently, Manitoba Hydro has a generating capability of 5,000 MW with the potential for a further 5,000 MW of generating capacity.

Manitoba Hydro is presently undertaking several major capital projects. Construction is under way on a $177 million combustion turbine plant in Brandon. Two natural gas-fuelled combustion turbines, with a combined capacity of 260 MW, are being built to enable Manitoba Hydro to enhance its export revenues, and to provide additional reliability to Manitoba customers. Both units are expected to be operational by June 2002.

The Selkirk Generating Station fuel-switching project will convert Selkirk's two boilers to natural gas. The converted generating facility is expected to discontinue coal burning by the summer of 2002.

This, and other environmental initiatives, will continue Manitoba Hydro's leadership in protecting the environment, and also serve to strengthen its position as a leader among Canadian utilities in voluntary actions to reduce greenhouse gas emissions. The company is positioned to play an increasingly important role in producing even more of North America's electrical energy through environmentally desirable hydro-electric energy generation.

Active planning is under way to increase generation to meet longer-term energy requirements. Manitoba is progressing quickly in its preparations to ensure the 200 MW Wuskwatim Hydro-Electric Generating Station is available as an option for future decisions. This project, if approved, would involve a $1 billion investment, with construction starting as early as the winter of 2003/04. Current activities include the comprehensive negotiations with Nisichawayasihk Cree Nation to finalize the terms and conditions of

Manitoba is progressing quickly in its preparations to ensure the 200 MW Wuskwatim Hydro-Electric Generating Station is available as an option for future decisions. This project, if approved, would involve a $1 billion investment, with construction starting as early as the winter of 2003/04.

In February 2002, Manitoba Hydro submitted a formal proposal for the purchase of Winnipeg Hydro...

a partnership arrangement, environmental studies, public consultations, guideline development by provincial and federal environmental regulators, economic studies, engineering and exploration.

Manitoba Hydro is also actively negotiating with the Tataskweyak, York Landing, War Lake and Fox Lake Cree Nations to potentially develop the 620 MW Gull hydro-electric site. Community consultations and environmental, engineering and economic studies are also continuing for Gull.

In February 2002, Manitoba Hydro submitted a formal proposal for the purchase of Winnipeg Hydro, the only other electrical utility operating in Manitoba. The purchase will benefit all Manitobans through cost savings and improved customer services for all ratepayers, and will result in an assured revenue stream for the City of Winnipeg. Under this plan, Manitoba Hydro would also proceed with building a 400,000 square foot head office facility in downtown Winnipeg. The purchase of Winnipeg Hydro by Manitoba Hydro is subject to legislative approval.

■ Housing

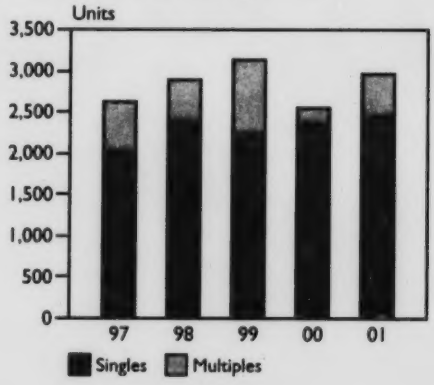
After a decline in 2000, Manitoba's new housing market rebounded in 2001. Housing starts increased 15.7%, with single-family unit starts increasing 4.8% and multiple-family starts jumping 137.3% (see Chart 15).

In 2000, Manitoba's multiple family starts fell 76.5% after the completion of a number of major multiple-unit housing projects in 1999. Multiple-unit projects accounted for only 17% of total housing starts in 2001.

Manitoba's sharp increase in housing starts was the third-strongest increase among provinces. Canada's housing starts increase last year was 7.3%. Housing starts in both Canada and Manitoba were encouraged by substantial declines in borrowing costs through 2001.

Chart 15

Manitoba Housing Starts



Source: Canada Mortgage and Housing Corporation

Canada Mortgage and Housing Corporation (CMHC) projects that Manitoba housing starts will decline 5.5% in 2002, slightly more than the projected overall national decline of 4.1%. CMHC expects housing starts to decline in eight of the ten provinces this year.

Manitoba's strong housing market was reflected in a significant increase in the resale market. CMHC estimates that the number of Multiple Listing Service (MLS) residential sales increased 7.8% in 2001. While CMHC projects that national MLS sales will decline in 2002, it forecasts MLS sales in Manitoba will increase by a further 1.4%. Manitoba is one of only two provinces where MLS sales are projected to increase in 2002.

Retail Sales

Manitoba retail sales increased 5.8% in 2001 to $9.9 billion. This is the strongest growth in retail sales since 1997 (see Chart 16).

Favourable interest rates and special dealer incentives contributed to the strong growth in new automobile sales last year. Motor vehicle sales jumped 8.3% to $2.8 billion, accounting for about 28% of total retail trade in Manitoba.

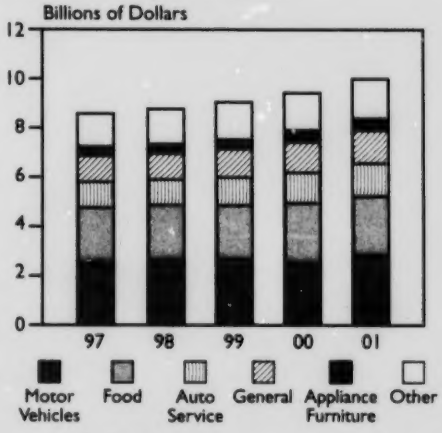
Strong growth in housing starts and move-up house sales helped drive up appliance and furniture sales by 7.3%.

The growth in retail sales in Winnipeg was stronger than retail sales growth outside of Winnipeg. Winnipeg retail sales increased 6.7%, while non-Winnipeg retail sales advanced 4.2%. Winnipeg motor vehicle dealers enjoyed a particularly strong increase in sales, as motor vehicle sales jumped 14.9% to record levels.

Manitoba households have the lowest debt-to-income ratio in Canada. Household debt, including mortgage debt, credit card debt and personal loans, equaled 51% of personal disposable income in 1999 (the

Chart 16

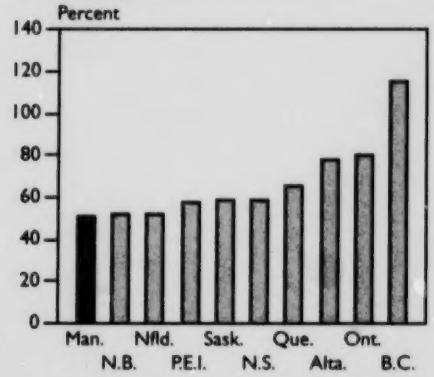
Manitoba Retail Sales



Source: Statistics Canada

Manitoba consumers have the lowest debt-to-income ratio in Canada.

Chart 17
Household Debt as a Percentage of Personal Disposable Income, 1999



Sources: Statistics Canada and Manitoba Finance

Chart 18
Manitoba Employment

Source: Statistics Canada

latest year for which data is available). This is well below the national average of 78% (see Chart 17).

■ Tourism

Total tourism expenditures increased by 1.5% to $1,146 million in 2001, despite the slowdown in travel that developed after September 11. Last year, airport traffic in Manitoba declined 2.2% with scheduled service declining 0.2% and charter traffic declining 30%. Highway traffic flows from the U.S. and other parts of Canada also fell. While the number of major meetings and conventions in Manitoba declined from 223 to 204, the number of delegates rose 7.0% to 51,696.

Manitoba has a history of successfully hosting major national and international events. In 2001, Manitoba hosted the International Society of Heart Research with over 1,000 delegates from over 60 countries. In 2002, the province will host the North American Indigenous Games with 7,000 athletes, coaches and officials expected to participate.

■ Labour Markets

Manitoba employment increased 0.6% in 2001, or by 3,500 jobs, lower than Canada's employment increase of 1.1%. In 2000, Manitoba posted 2.2% employment growth, the strongest annual increase since 1986 (see Chart 18).

Manitoba's part-time employment grew 2.5% last year, while full-time employment increased 0.2%. Youth (ages 15–24) employment advanced 0.8%, slightly below the national increase of 1.0%. This was the third consecutive annual increase in youth employment in Manitoba.

While employment in Manitoba continued to grow, labour force growth outstripped the increase in employment, pushing up unemployment rates slightly.

Manitoba's overall unemployment rate increased 0.1% to 5.0% last year, and remained second-lowest among provinces and well below the national rate of 7.2% (see Chart 19). Manitoba's youth unemployment rate increased to 9.7%, again the second lowest rate among provinces and well below the national rate of 12.8%.

Manitoba Finance's survey of economic forecasters shows that Manitoba's employment is projected to grow by 0.5% in 2002, the same as the national average growth. The survey also shows that the average projected unemployment rate for Manitoba in 2002 is 5.4%, up from the 2001 rate of 5.0%.

The positive developments in the provincial labour market last year continued to encourage higher levels of labour force participation. The labour force participation rate reached a new record-high level of 68.1%, up from 67.9% in 2000 and the second-highest in Canada among provinces. Manitoba's employment rate – the ratio of employed to the total working age population – also increased to a record-high level of 64.6% (see Chart 20). This was also the second-highest rate among provinces.

Investment

Total capital investment in Manitoba is estimated to have increased 3.0% in 2001, according to Statistics Canada's Private and Public Investment in Canada survey (PPI). The increase was the highest since 1997. At $5.34 billion, this was the highest level of PPI ever recorded in Manitoba (see Chart 21).

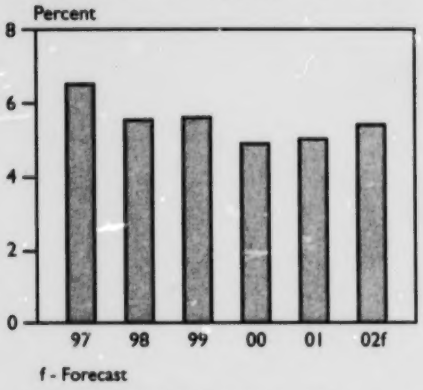
Private capital investment edged up 0.4%, below the national average increase of 2.4%. Private investment accounted for 73% of total capital investment in Manitoba last year.

Public capital investment increased 10.8% in 2001, below the national average increase of 15.0%.

Utilities and health care industries recorded strong investment growth. Retail trade, and real estate, rental & leasing, reported significant declines.

Chart 19

Manitoba Unemployment Rate

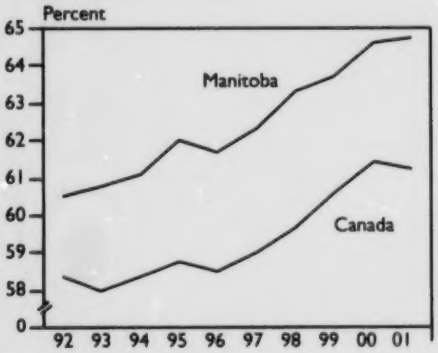


f - Forecast

Sources: 1997-2001: Statistics Canada
2002: average of economic forecasters

Chart 20

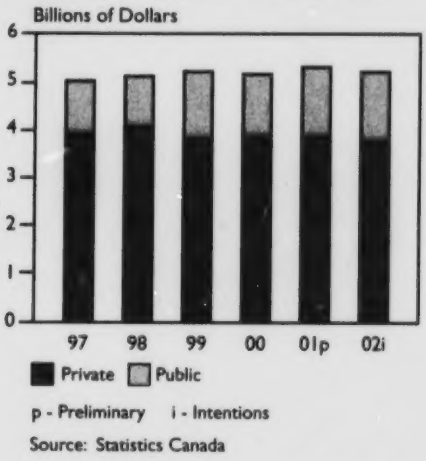
Manitoba and Canada Employment Rate



Source: Statistics Canada

Chart 21

Manitoba Capital Investment



Source: Statistics Canada

Investment in manufacturing, Manitoba's largest industry, declined by 7.2% after a strong 15.6% gain in 2000. 2001 manufacturing investment, while lower than 2000, was the second-best performance among provinces. Nationally, manufacturing investment declined by 18.1%.

For 2002, according to the PPI survey, total capital investment in Manitoba is expected to decline by 1.9%. Canada's capital investment is expected to decline by 1.0%. Manitoba's private capital investment is expected to decline by 2.2% while public capital investment is expected to fall 1.1%.

Several major capital investments are planned for Manitoba for 2002. Examples of some investment projects under way at this time, or planned for later this year, include:

J.R. Simplot is investing over $110 million in the first phase of a new potato processing plant near Portage La Prairie. The first stage of the project will employ 230 staff;

Construction of the **National Research Council's (NRC) new industrial partnership facility** is targeted to begin in summer 2002. The new $10 million facility will be built adjacent to the NRC's Institute for Biodiagnostics and will incubate start-up companies in the high-tech sector and spin-offs from the NRC, as well as from university research, and help them to become self-sustaining;

Biovail Corporation, one of the largest Canadian-owned pharmaceutical companies, has announced an $11 million, 40,000 square foot expansion to its Steinbach plant. The addition will boost the size of the facility by about 40% and will add approximately 100 staff;

Work has begun on the $25 million **I.H. Asper Clinical Research Institute** adjacent to the St. Boniface General Hospital Research Centre. The new 100,000 square foot research facility will help further cardiovascular care through the bridging of

research and patient care, and will provide the clinical resources necessary for the improvement of cardiovascular medicines and treatments;

The $25 million **Functional Foods and Nutraceuticals Research Centre** will be established at SMARTpark;

Maple Leaf Distillers is undertaking a $6.4 million expansion to expand its manufacturing and distribution capacity in Canada;

Schweitzer-Mauduit Canada will be building a new $2.9 million flax-straw processing mill near Carman. The new plant will produce high quality flax fibre;

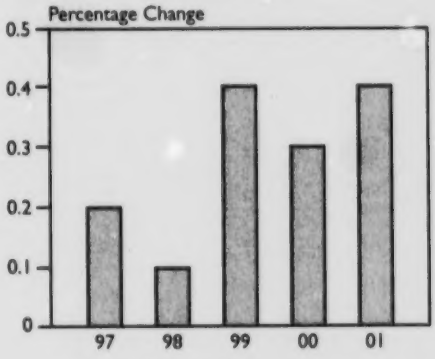
Standard Aero Limited has completed the first phase of a $92 million multi-year investment in a repair facility designed to service the General Electric CF34 engines, one of the best-selling aircraft engines in the world. The initial facility has been completed and the second facility, a test station, is on schedule for completion in July. At full capacity the expansion is expected to add 450 employees;

Air Canada and Manitoba-based **Acsion Industries** announced a strategic partnership that will create 270 jobs and strengthen the province's growing aerospace industry. The firms have formed a new joint venture company, ACETEK Composites, which will repair composite aircraft parts using a variety of innovative technologies. This $10 million project will establish a new repair facility in Winnipeg with an initial operating capability expected later this year.

■ Population

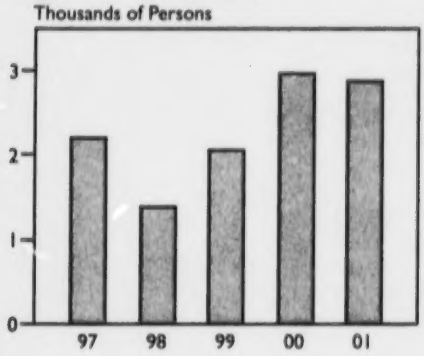
Manitoba's total population was estimated at 1,150,000 persons as of July 1, 2001. This is Manitoba's "official" population for the year. The population growth for the year was 4,000 persons, or 0.4%, fifth highest among provinces but below Canada's increase of 1.0% (see Chart 22).

Chart 22
Manitoba Population



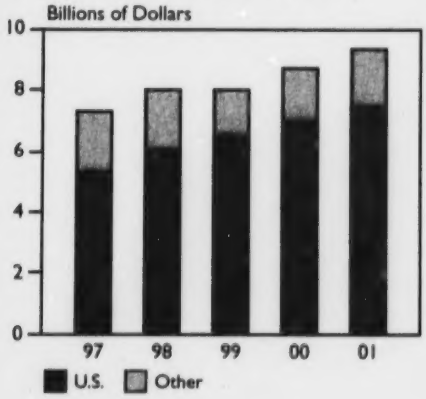
Source: Statistics Canada

Chart 23
Manitoba Net International Migration



Source: Statistics Canada

Chart 24
Manitoba Foreign Exports



Source: Statistics Canada

Manitoba's total net out-migration increased to 2,089 in 2001, up from net out-migration of 391 in 2000.

Net interprovincial out-migration totaled 4,549, as 17,502 persons came to Manitoba from other provinces and territories while 22,051 moved to other provinces and territories. Only three of Canada's ten provinces saw positive net interprovincial migration last year: Alberta, Ontario and Prince Edward Island.

Manitoba's net international immigration was 2,891, down slightly from 2,981 in 2000 (see Chart 23). Other migration, including non-permanent residents and Manitobans returning from abroad, resulted in a net decline of population during the year of 431.

■ Foreign Markets

Total foreign merchandise exports increased 7.4% in 2001 after an 8.3% increase in 2000. Exports to the U.S., which account for 80% of total merchandise exports, increased 7.3% while non-U.S. exports rose 7.9% (see Chart 24).

Merchandise exports to the U.S. have increased for 10 consecutive years. The value of these exports has increased by over 300% since 1991.

Last year, all major commodity industries posted merchandise export gains. Agriculture products, which equal 19.8% of provincial exports, increased 14.5%, while other primary commodities, which account for 7.6% of exports, grew by 10.8%.

Manufacturing exports comprise almost two-thirds of foreign commodity exports. Included in this group is a wide range of products, including transportation equipment, machinery, coins, pharmaceuticals, furniture, plastics, clothing and apparel, chemicals and machinery. Last year, manufacturing exports rose 4.2%, with about half of the 20 manufacturing industry categories posting gains.

Manitoba Foreign Exports

BY INDUSTRY	1997	1998	1999	2000	2001	2001 Share
			(Millions of Dollars)			(%)
Manufacturing						
Transportation Equipment	749.7	1,048.1	1,229.6	1,052.9	1,141.8	12.2
Food and Beverages	665.9	1,043.0	838.5	846.7	977.8	10.4
Primary Metals	551.5	716.0	608.1	745.8	803.6	8.6
Machinery	766.1	718.4	503.9	584.8	535.7	5.7
Wood	266.8	351.8	505.6	540.8	531.3	5.7
Chemicals	131.1	232.0	333.6	359.2	418.1	4.5
Electrical	296.5	303.7	235.7	274.7	273.9	2.9
Paper and Allied	237.4	236.2	240.9	268.6	254.9	2.7
Plastics	109.8	137.4	170.0	178.5	199.7	2.1
Furniture and Fixtures	132.1	131.1	128.0	158.2	171.5	1.8
Printing and Publishing	65.3	92.9	101.4	124.8	165.3	1.8
Clothing and Textiles	117.0	136.5	157.7	193.2	156.5	1.7
Fabricated Metals	63.8	76.6	72.0	95.1	126.0	1.3
Other Manufacturing	190.1	181.1	222.7	335.5	241.7	2.6
Total Manufacturing	**4,343.2**	**5,404.9**	**5,347.6**	**5,758.7**	**5,997.9**	**64.1**
Agriculture	2,019.2	1,775.2	1,585.3	1,615.8	1,850.0	19.8
Other Primary	789.0	710.5	893.5	1,082.6	1,243.7	13.3
Other Exports	162.6	178.0	222.9	256.8	267.6	2.9
Total Exports	**$7,313.9**	**$8,068.5**	**$8,049.5**	**$8,713.9**	**$9,359.2**	**100.0**
BY DESTINATION						
United States	5,381.5	6,068.5	6,495.3	6,973.4	7,481.7	79.9
Japan	435.9	403.5	378.3	364.9	437.3	4.7
Mexico	93.3	141.1	105.5	126.5	164.8	1.8
China	147.6	228.3	169.9	107.5	146.9	1.6
Belgium	149.5	119.1	88.2	127.5	143.0	1.5
Hong Kong	26.9	231.8	57.1	146.7	131.6	1.4
Iran	115.7	24.8	57.3	95.3	71.4	0.8
Taiwan	47.4	64.4	33.8	55.2	52.1	0.6
United Kingdom	78.6	108.7	68.3	61.4	51.6	0.6
Australia	19.4	21.2	18.8	27.4	39.1	0.4
Other Countries	818.1	657.2	577.0	628.1	639.6	6.8
Total Exports	**$7,313.9**	**$8,068.5**	**$8,049.5**	**$8,713.9**	**$9,359.2**	**100.0**

Notes: Export data to the United States exclude $898.9 million for coins in 2000.
Totals may not add due to rounding.
Source: Manitoba Bureau of Statistics

The Manitoba Outlook survey of economic forecasters shows that real GDP growth in Manitoba is expected to increase to 2.0% in 2002, with further strengthening to 3.2% in 2003.

Manitoba Economic Outlook

Like Canada generally, Manitoba is currently expected to benefit from a moderate economic recovery in 2002. The strength of the rebound in the Manitoba economy will depend on several factors, including the pace of economic recovery in the U.S., the course of monetary policy in Canada and the degree to which business investment recovers after the retrenchment in 2001.

The Manitoba Outlook survey of economic forecasters shows that real GDP growth in Manitoba is expected to increase to 2.0% in 2002, with further strengthening to 3.2% in 2003. This compares with projected real growth for Canada of 1.8% in 2002 and 3.7% in 2003.

Manitoba's nominal GDP is projected to grow 2.1% this year and 4.9% in 2003.

Manitoba's unemployment rate is projected to increase to 5.4%, up from 5.0% in 2001. Manitoba is forecast to continue to have the second lowest unemployment rate in Canada in 2002. Employment growth is projected at 0.5% in 2002, near the national average. In 2003, Manitoba's employment growth is projected to strengthen to 1.1%.

Manitoba's consumer price inflation is expected to remain in check in 2002 and 2003. This year, Manitoba CPI is projected to increase by 1.4%, down from 2.6% CPI growth in 2001. In 2003, Manitoba CPI is expected to grow by 1.6%.

Manitoba Outlook at a Glance

	2000	2001	2002	2003
	(Percentage Change Except as Noted)			
Gross Domestic Product				
Nominal	6.4	3.3	2.1	4.9
Real	3.0	1.6	2.0	3.2
Employment	2.2	0.6	0.5	1.1
Unemployment Rate (%)	4.9	5.0	5.4	5.2
CPI	2.5	2.6	1.4	1.6

Sources: 2000 and 2001 are actual from Statistics Canada and Manitoba Bureau of Statistics; 2002 and 2003 are average of economic forecasters

THE MANITOBA ECONOMY: STRENGTH IN DIVERSITY

Manitoba has one of Canada's most diverse economies. In 2000, a study by Moody's Investor Service showed that Winnipeg had the most diverse economic structure among major metropolitan centres in Canada.

Diversity is one of Manitoba's major economic strengths. It provides stability over time, as weakness in some industries tends to be balanced by strength in others. No one industry dominates the province's economic landscape.

In fact, Statistics Canada data shows that Manitoba's economy posted the most stable growth among provinces over the past five years. Manitoba also posted the fourth-highest real GDP advance among the 10 provinces.

New developments in traditional industries have provided opportunities for Manitoba businesses to expand into new markets, and bring new products to existing markets. This continual broadening of Manitoba's economic base will provide even greater stability and certainty for Manitobans into the future.

The growth in non-traditional exports is illustrated by the change in the composition of Manitoba's exports. While Manitoba's foreign commodity exports have increased dramatically over the past several years, the change in the shares of exports among major industries is even more telling. In particular, manufacturing, which in 1996 accounted for about 57% of Manitoba's exports, has grown steadily to account for 64% of foreign exports in 2001. New products contributed significantly to this growth, as exports of commodities like furniture, plastic products, pharmaceuticals, and printing and publishing goods increased dramatically.

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Composition of Manitoba Foreign Commodity Exports, 1996 & 2001

	1996	2001
	(Percent of Total)	
Manufacturing	57	64
Agriculture	28	20
Other Primary	9	8
Electricity	5	6
All Other	1	2

THE MANITOBA ECONOMY: STRENGTH IN DIVERSITY

Manitoba has one of Canada's most diverse economies. In 2000, a study by Moody's Investor Service showed that Winnipeg had the most diverse economic structure among major metropolitan centres in Canada.

Diversity is one of Manitoba's major economic strengths. It provides stability over time, as weakness in some industries tends to be balanced by strength in others. No one industry dominates the province's economic landscape.

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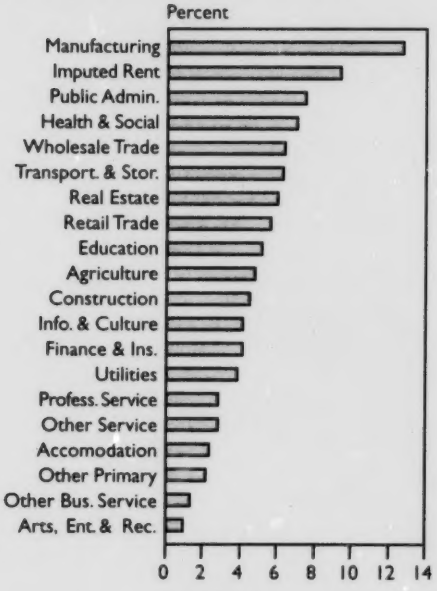
Chart 25

Shares of Manitoba Gross Domestic Product, 2001p



p - Preliminary

Source: Manitoba Bureau of Statistics

Manufacturing is Manitoba's largest sector, accounting for about 13% of total GDP. It accounted for about two-thirds of Manitoba's foreign commodity exports last year. Manitoba is home to Canada's largest furniture plant and is a major national manufacturer in aerospace equipment, clothing and processed foods. Manitoba is also North America's largest producer of intercity and urban buses.

Primary industries have historically played an important role in Manitoba's economic growth and development. Agriculture, mining and other primary industries contribute about 7% of Manitoba's GDP directly. Manitoba's agriculture sector has diversified significantly over the past several years, and now produces a wide array of crop and livestock varieties. Substantial investments in diversification into higher value-added industries have occurred over the past several years. This sector also has strong linkages to Manitoba's $2.9 billion food processing industries.

One factor that has provided Manitoba with economic stability is its relatively large service sector. This sector includes industries such as wholesale and retail trade, finance and insurance, transportation, health care, education and real estate. Service-producing industries accounted for approximately 72% of Manitoba's total economy in 2001, higher than the Canadian level of 68%. The service sector also accounts for about 75% of Manitoba employment.

Manitoba's service sector tends to be less susceptible to fluctuations through the business cycle than most goods-producing industries. The province is home to many major service sector operations, including the head offices of two of Canada's major financial corporations, Great-West Life and Investors Group. The International Institute for Sustainable Development, the Canadian Wheat Board, CanWest Global Communications and several of Canada's major trucking companies are

headquartered in Winnipeg. Winnipeg is also a major centre for several other service industries, including other transportation and storage industries, business call centres and wholesale trade.

Research and innovation continue to play a major role in promoting the diversification of Manitoba's industries. The development and diffusion of innovations have strengthened the province, and a number of major research establishments are located in the province. Significant research and development activity is taking place in the medical and pharmaceutical sectors, aerospace and transportation equipment, machinery, business services and in the agri-foods sector.

Several new investments in 2002 will further expand Manitoba's capacity in its life sciences sector. These projects include the establishment of: a $25 million state-of-the-art Functional Foods and Nutraceuticals Research Centre at the University of Manitoba's research and innovation technology park, SMARTpark; the $25 million I.H. Asper Clinical Research Institute, adjacent to the St. Boniface General Hospital Research Centre; the National Research Council's (NRC) new $10 million industrial partnership facility to be built adjacent to the NRC's Institute for Biodiagnostics; and the new $3 million Breast Cancer Research and Diagnostic Centre, to be affiliated with the Manitoba Institute for Cell Biology.

Manufacturing Exports, Major Growth Categories, 1996-2001

	Percent Change
Chemicals	260
Printing & Publishing	255
Wood Products	157
Primary Metals	154
Fabricated Metals	118
Plastics	103
Transportation Equipment	80
Food & Beverages	79
Furniture	67

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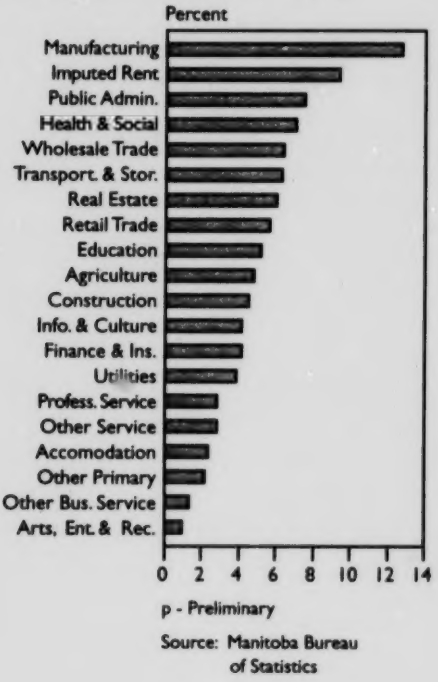

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Manitoba Economic Statistics, 1997 to 2001

	1997	1998	1999	2000	2001
	(Millions of Dollars)				
SECTORS					
Farm Cash Receipts	3,076	2,962	2,959	3,133	3,673
Livestock	1,208	1,225	1,329	1,567	1,824
Crops	1,726	1,644	1,415	1,282	1,473
Direct Payments	142	92	216	285	376
Manufacturing Shipments	9,727	10,372	10,656	11,344	11,466
Mineral Production	1,126	967	907	1,234	1,048
Electric Power Sales	1,111	1,130	1,179	1,295	1,458
Export Sales	289	321	363	454	596
Housing Starts (no. of units)	2,612	2,895	3,133	2,560	2,963
Retail Trade	8,589	8,773	9,026	9,396	9,940
FOREIGN EXPORTS					
Total Exports	7,314	8,069	8,050	8,714	9,359
U.S.	5,382	6,068	6,495	6,973	7,482
GROSS DOMESTIC PRODUCT					
Nominal	29,826	30,881	31,777	33,801	34,914
Real	29,826	30,850	31,659	32,604	33,112
BASE RATE WAGE SETTLEMENTS (%)					
Public	1.0	1.2	2.5	2.5	2.4
Private	1.9	1.6	3.1	3.3	2.2
Total	1.1	1.4	2.5	2.6	2.3
INVESTMENT					
Total	5,039	5,152	5,237	5,181	5,337
Private	3,940	4,083	3,847	3,870	3,885
Public	1,099	1,069	1,390	1,311	1,452
Non-residential	4,231	4,287	4,368	4,323	4,455
Housing	808	866	870	858	882
POPULATION					
July 1 (000's)	1,137	1,138	1,142	1,146	1,150
LABOUR MARKET					
Labour Force (000's)	562.0	566.8	574.8	583.2	587.1
Employment (000's)	525.6	535.7	542.7	554.4	557.9
Participation Rate (%)	66.6	67.0	67.5	67.9	68.1
Unemployment Rate (%)	6.5	5.5	5.6	4.9	5.0
CONSUMER PRICE INDEX					
(Index, 1992=100)	111.6	113.0	115.2	118.1	121.2
BANKRUPTCIES					
Business	292	266	216	253	300
Farm	19	27	29	18	19
Personal	2,770	2,422	2,466	2,475	2,493

Sources: Statistics Canada and Manitoba Bureau of Statistics

1997	1998	1999	2000	2001	
(Annual Percentage Change)					
					SECTORS
9.3	-3.7	-0.1	5.9	17.2	Farm Cash Receipts
7.7	1.4	8.4	18.0	16.4	Livestock
5.4	-4.7	-14.0	-9.4	14.9	Crops
152.8	-35.2	134.6	31.7	32.0	Direct Payments
11.3	6.6	2.7	6.5	1.1	Manufacturing Shipments
12.4	-14.1	-6.2	36.0	-15.1	Mineral Production
3.6	1.6	4.4	9.8	12.6	Electric Power Sales
12.5	11.2	13.0	24.9	31.4	Export Sales
12.7	10.8	8.2	-18.3	15.7	Housing Starts (no. of units)
8.4	2.1	2.9	4.1	5.8	Retail Trade
					FOREIGN EXPORTS
17.6	10.3	-0.2	8.3	7.4	Total Exports
19.4	12.8	7.0	7.4	7.3	U.S.
					GROSS DOMESTIC PRODUCT
4.7	3.5	2.9	6.4	3.3	Nominal
2.6	3.4	2.6	3.0	1.6	Real
					BASE RATE WAGE SETTLEMENTS (%)
-	-	-	-	-	Public
-	-	-	-	-	Private
-	-	-	-	-	Total
					INVESTMENT
21.1	2.2	1.6	-1.1	3.0	Total
28.3	3.6	-5.8	0.6	0.4	Private
0.9	-2.7	30.0	-5.7	10.8	Public
23.4	1.3	1.9	-1.0	3.1	Non-residential
10.4	7.1	0.5	-1.3	2.8	Housing
					POPULATION
0.2	0.1	0.4	0.3	0.4	July 1 (000's)
					LABOUR MARKET
0.6	0.9	1.4	1.5	0.7	Labour Force (000's)
1.3	1.9	1.3	2.2	0.6	Employment (000's)
-	-	-	-	-	Participation Rate (%)
-	-	-	-	-	Unemployment Rate (%)
					CONSUMER PRICE INDEX
2.2	1.3	1.9	2.5	2.6	(Index, 1992=100)
					BANKRUPTCIES
-0.3	-8.9	-18.8	17.1	18.6	Business
-20.8	42.1	7.4	-37.9	5.6	Farm
0.8	-12.6	1.8	0.4	0.7	Personal

Appendix 1:
RESEARCH AND INNOVATION

Research and development... innovation... technology diffusion... these are key elements of economic growth and development.

Research and innovation improves competitiveness by enhancing the quality and affordability of products and services. In turn, increased competitiveness can lay the foundation for further productivity growth, investment, job creation, export opportunities and higher living standards.

Research also facilitates improvements to our quality of life. Advances in research promote progress in important areas such as medicine, conservation, education and agricultural production. All of these improvements directly enhance our well-being.

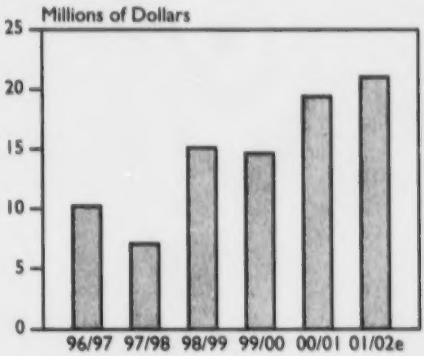
■ Manitoba's Current Research Environment

The current level of gross expenditure on research and development (R & D) in Manitoba is estimated to be equal to about 1.2% of Manitoba GDP, fourth-highest among the 10 provinces. Industry, government and universities all undertake significant R & D activity in Manitoba.

Statistics Canada estimates that, in 1999, almost 200 Manitoba businesses were involved in R & D programs across a variety of economic sectors. These firms spent $134 million on in-house R & D, an increase of 40% from the previous year. Manitoba firms employed 1,227 personnel in research activities.

Research and innovation in Manitoba spans a broad range of industries, including engineering, medicine, pharmaceuticals, agriculture and agri-food, aerospace and other transportation equipment. The list of firms undertaking research in the province include Apotex, Cangene Corporation, Medicure Inc., Vansco Electronics, Advanta Seeds, Brett-Young Seeds, Agricore United, Monsanto and Bristol Aerospace.

Provincial Government Expenditure on R&D, 96/97 - 01/02e



e - Estimate

Source: Statistics Canada

One of Manitoba's widely recognized research strengths is in the fast-growing biotechnology sector. The province is home to 37 biotechnology companies; one in 10 of Canada's biotechnology companies currently undertakes research in Manitoba. Health, environmental and agricultural biotechnology are the primary research and innovation areas, with a specific focus on cardiovascular and infectious diseases, cell biology and gene technology, nutraceuticals, disease resistance and quality enhancement in cereal and oilseed crops. The province is home to 20 research centres/groups that undertake biotechnology research.

Manitoba is home to a number of major public research and development facilities. These include the University of Manitoba, the new $142 million Canadian Science Centre for Human and Animal Health, the National Research Council's Institute of Biodiagnostics, the Manitoba Industrial Technology Centre, the Food Development Centre, the National Centre for Agri-Food Research in Medicine, the St. Boniface General Hospital Research Centre and the Prairie Agricultural Machinery Institute.

While the province is widely recognized for its current research facilities and programs, a number of significant new projects will further add to the province's R & D networks.

- The 110,000 square foot St. Boniface General Hospital Research Centre is currently home to dozens of major world-class research programs, including those in the cardiovascular sciences, oncology and health research on ageing. Work is now under way on the $25 million I.H. Asper Clinical Research Institute, adjacent to the St. Boniface General Hospital Research Centre. The new 100,000 square foot research facility will help further cardiovascular care through the bridging of research and patient care, and will provide the clinical resources necessary for the improvement of cardiovascular medicines and treatments.

- The Province, in partnership with the University of Manitoba and Western Economic Diversification, is committed to the establishment of a $25 million state-of-the-art Functional Foods and Nutraceuticals Research Centre to be located in SMARTpark at the University of Manitoba. About 90 researchers will undertake a range of research projects involving better extraction of the beneficial components of food, food quality and safety, packing and delivery and identifying opportunities for Manitoba products to be processed into higher value-added functional foods.

- In a few months, construction will begin on the National Research Council's new $10 million facility, adjacent to the NRC's Institute for Biodiagnostics (IBD). The facility will incubate start-up companies from the high tech sector and spin-offs from the NRC, and university research, assisting them to become self-sustaining. Established in 1992, the IBD has grown to employ over 150 researchers and support staff, specializing in magnetic resonance technology, spectroscopy, informatics and biosystems research.

- Winnipeg's reputation as a centre of excellence for medical research helped secure the new ($3 million) Breast Cancer Research and Diagnostic Centre. Supported by the federal and provincial governments in partnership with the CancerCare Manitoba Foundation, the Centre will be affiliated with the Manitoba Institute for Cell Biology. The Institute currently has over 100 researchers actively involved in scientific research.

The federal government continues to have a major presence in science and technology (S&T) funding in Canada. In Manitoba, federal funding for R & D was estimated at $101 million for 1999/2000, about 2.8% of the federal government's total commitment to R & D nationally. This share of national R & D investment is lower than Manitoba's share of national population, and the Government of Manitoba has encouraged the federal government to boost R & D funding in the province to ameliorate the funding deficiency.

Federal spending on science activities includes natural sciences and social sciences funded by the federal government and performed by federal departments and agencies, universities, businesses or other organizations. Federal departments and agencies conducting research in Manitoba include Agriculture Canada, Environment Canada, Fisheries and Oceans and the National Research Council.

■ Provincial Support for Research and Innovation

The Province supports research and innovation both through direct spending programs, and through the Manitoba Research and Development Tax Credit.

Manitoba's direct expenditures on R & D include internal departmental spending, support to business enterprises, R & D support to universities and health care organizations, and through the activities of the Industrial Technology Centre.

In 2001/02, direct expenditure on R & D by the Provincial Government is estimated at $20.1 million, up 8.0% from $19.4 million in 2000/01, and significantly higher than the $14.7 million R & D expenditure in 1999/2000.

Most of the Provincial Government's direct expenditure commitment to R & D is provided to universities. About 55% of total Provincial R & D support is for work performed by Manitoba's institutions of higher education.

A further 25% of Provincial R & D expenditure is provided to hospitals and health organizations, including the Manitoba Health Research Council.

Direct spending within Government departments accounts for about 8% of the Province's R & D expenditure. The balance, 12%, is funding for R & D performed by business enterprises, the Industrial Technology Centre and other parties.

Manitoba's Research and Development Tax Credit encourages private sector R & D activity in Manitoba. The Tax Credit Program provides a 15% non-refundable credit for qualifying R & D expenditures (see *Manitoba Research & Development Tax Credit*, page A31).

Manitoba partners with the federal government through the Manitoba Innovations Fund (MIF). The MIF was established to assist in increasing the capabilities of Manitoba universities, colleges, hospitals and not-for-profit sector to conduct scientific research and product development. Provincial expenditures are matched by federal government contributions through the Canadian Foundation for Innovation.

In 2001/02, 47 projects were funded through the MIF, including 24 projects through the Regional Partnerships Program (a co-funding arrangement with the Canadian Institutes for Health Research). The MIF program helped encourage another $6 million from the federal government in support of research at the province's three main universities and the St. Boniface General Hospital Research Centre. The table *Manitoba Innovations Fund Projects, 2001/02* (page A33) provides a list of some of the research projects funded last year, as well as the provincial funding commitment to each project.

As well as providing support for health research through the MIF and the subcomponent program, the Regional Partnerships Program, Manitoba has implemented the Health Research Initiative. This

Program provides funding to assist Manitoba health research centres in meeting a portion of operating expenses related to health research activities. The program is an incentive based initiative with the distribution of funds tied to the amount of research revenue each Manitoba health research centre attracts from private industry and from granting agencies outside the province. Manitoba organizations that benefited from the $3 million allocated under the provincial Health Research Initiative include CancerCare Manitoba, Children's Hospital, Health Sciences Centre, St. Boniface General Hospital Research Centre and the University of Manitoba.

The Manitoba Health Research Council (MHRC) promotes and assists basic, clinical and applied health sciences in Manitoba, and advises the Minister of Health on health matters referred to MHRC. The MHRC operates a number of funding programs, including awards to post-doctoral and graduate students, PhD dissertation awards, operating and establishment grants and bridge funding for researchers. In 2001/02, MHRC awarded $2.6 million in research grants to health researchers, including $866,000 for the federal-provincial Regional Partnerships Program. The Province also supports health research through its support for the Manitoba Centre for Health Policy and Evaluation ($1.9 million).

The Government of Manitoba is also a partner with the federal government in the Networks of Centres of Excellence program. This program was established several years ago to support research at universities and hospitals in partnership with the private sector.

Manitoba's objectives in developing the Manitoba Centres of Excellence Fund (MCEF) are to attract and maintain world-class R & D activity to Manitoba, and to generate related spin-off benefits for local companies and non-profit institutions.

Manitoba was involved in several Network of Centres of Excellence research programs in 2001/02. MCEF grants of between $10,000 and $190,000 were provided to research programs such as the Canadian Genetic Diseases Network, the Canadian Institute for Telecommunications Research, Intelligent Sensing for Innovative Structures, Vaccines & Immunotherapeutics of Cancer & Chronic Viral Diseases (CANVAC), and the Mathematics of Information Technology and Complex Systems.

Manitoba continues to support a number of major research initiatives in the province related to agriculture. The Agri-food Research and Development Initiative (ARDI) provides funding for research and development aimed at enhancing diversification, value-added opportunities and export capabilities in the province's large agri-food sector. $1 million was devoted to this program in 2001/02.

The Province operates a special operating agency, the Food Development Centre, to undertake R & D and related services to bring new Manitoba food products to market. Located in Portage La Prairie, the Centre provides support to clients in areas such as product development, food engineering and shelf-life testing.

Portage La Prairie is also home to the Prairie Agricultural Machinery Institute (PAMI) Manitoba testing and development station. Established over 25 years ago, PAMI is jointly sponsored by the governments of Manitoba and Saskatchewan. PAMI tests machinery for a wide range of clients, including equipment manufacturers, farm producers, commodity groups and governments. Since 1985, PAMI has been a largely self-supporting research organization through fee-for-service arrangements.

■ MANITOBA RESEARCH & DEVELOPMENT TAX CREDIT

In 1992, Manitoba introduced a 15% non-refundable Corporate Income Tax credit for scientific research and experimental development undertaken in Manitoba by a taxable corporation with a permanent establishment in Manitoba. The incentive is tied to the criteria used to determine eligibility for the federal investment tax credit on qualifying R & D expenses and supplements the federal incentive.

The federal and provincial R & D credits are broadly targeted insofar as both incentives are activity based, and apply to all sectors and industries. Both current expenditures, which include remuneration of persons engaged in research and the cost of materials, and prescribed capital expenditures, which include the cost of machinery and equipment, are eligible expenses for purposes of Manitoba R & D tax credit amounts. The tax credit is government assistance and, accordingly, reduces the R & D expense base for purposes of calculating the federal tax credit.

From the inception of the Manitoba R & D tax credit through to the 2000 taxation year (latest year for which data is available), $62.4 million in provincial tax credits have been paid to firms conducting R & D in Manitoba.

Among industries in Manitoba, manufacturing accounts for 56% of the R & D credit recipients. Service industries account for a further 36% – over a third of these are in wholesale and retail trade. The remaining 8% of credit claimants are involved in primary industry (agriculture, mining, etc.).

Further details in respect of the Research and Development Tax Credit programs are available at http://www.ccra-adrc.gc.ca/taxcredit/sred/menu-e.html.

Over the years, studies by various agencies have repeatedly confirmed that Canada's income tax treatment of research and development, especially when coupled with provincial incentives, is among the most generous in the world. The following table shows the after-tax cost associated with R & D current expenses for a large corporation and a small privately-owned corporation, based on 2002 income tax rates, in Manitoba.

After-Tax Cost of $100 R & D Expenditure

	Large Corporation	Small Private Corporation
Eligible R&D expenditure	$100.00	$100.00
(less) Manitoba tax credit	15.00	15.00
(less) Federal tax credit	17.00	29.75
Deductible Amount	68.00	55.25
Tax Savings:		
Manitoba	11.22	2.76
Federal	17.76	7.25
Net-after tax cost	**39.02**	**45.24**

Another special operating agency of the Manitoba government is the Industrial Technology Centre (ITC). ITC provides advanced technical research and testing for a variety of clients. Capabilities of the ITC include a calibration laboratory, noise and vibration analysis, mechanical testing and administrative support for product development and related activities.

In December 2001, ITC opened the new $1.5 million Virtual Reality Centre. The Centre provides Manitoba industry with access to the most modern visualization technology available. This technology allows businesses to realistically simulate new products before they are built. Manufacturers can use virtual technology to design any product with computer images that show how two-dimensional models will actually look and feel in a three dimensional world.

Manitoba is home to one of five TRLabs applied research laboratories. Sponsored by a private-public sectors partnership, this facility specializes in information and communications technology research. Research is based on five strategic areas: data networking, network access, network systems, photonics and wireless systems. Manitoba's research centre focuses on Internet-based technologies. Created in April 1995, it is now a major component of Manitoba's high-tech infrastructure, delivering benefits to small-and medium-sized enterprises, high-tech students, the University of Manitoba and the information and communication technology sector at large. The Department of Industry, Trade and Mines presently provides funding of $480,000 per annum for the facility.

As well as direct sponsorship of research and innovation programs in the province, the Manitoba government has supported several capital supply programs. Several provide venture capital support to new and innovative companies and projects. These include the Manitoba Science and Technology Fund, Vision Capital Fund, Renaissance Capital Manitoba Ventures Fund. Two labour-sponsored venture capital corporations, the Crocus Investment Fund and ENSIS Growth Fund Inc., are an active source of smaller business investment capital. Levels of venture capital investment range from less than $1 million to several millions of dollars.

Manitoba Venture Capital Fund Companies

- Vision Capital Fund
- Manitoba Capital Fund
- Crocus Investment Fund
- ENSIS Growth Fund
- Manitoba Science & Technology Fund
- Renaissance Capital Manitoba Ventures Fund
- Western Life Sciences Venture Fund

In January 2002, the governments of Manitoba and Saskatchewan, together with several private and public sector organizations, announced the creation of a new $45 million venture capital fund focusing on new biotechnology and medical investments in the two provinces. Similar to some existing limited partnership funds, the Western Life Sciences Venture Fund will focus on bringing life sciences research and new knowledge to commercial development.

Manitoba Hydro commits approximately $4 million per annum to a research and development program to assist in providing higher system reliability, lower electricity rates, increased safety of the system infrastructure and improved customer quality of service. Some of this research is undertaken in-house, while the company sponsors other research at universities and other external research facilities. Other key alliances are with the Canadian Electricity Association and the U.S. Electric

Manitoba Innovations Fund Projects, 2001/02

	Funding (Thousands of Dollars)
Establishment of a Laboratory for Molecular Systematic Analysis Of Biodiversity	123
R & D facility for renewal of Northern Region Infrastructure	206
ICP-MS Laboratory for Trace Element Studies	252
Molecular Neuroscience Imaging Centre	199
Microbial Diversity and Molecular Genetics Laboratory	200
Mass spectrometer for high molecular weight measurements	152
Infrastructure to support and accelerate projects for gene sequencing	128
Enhancements of integrated database for research regarding population health questions	125
Stored Grain Ecosystem Facility for Research and Design	135
Data infrastructure for improving health and human capital	236
Infrastructure for research in sustainable crop production	200
Facility for Micro-Fabricated Software Adaptive Antennas	350
Canadian National Site Licensing Project at Universities of Brandon, Manitoba and Winnipeg	572
Electron microprobe	616
Biophysical and functional studies of the cardiovascular system at the St. Boniface Hospital Research Centre	530
Equipment for a Viral and Cell Culture Facility In Molecular Cardiology at the Manitoba Institute of Cardiovascular Sciences	123
CCD x-ray detector and microbeam spectrometer	158
Brandon University Solid State Liquid NMR Facility	418
Computer operated DNA sequencer and clinical colour vision assessment laboratory, University of Winnipeg	112
Equipment for Four Dimensional Multiparameter Imaging Centre at University of Manitoba at St. Boniface Hospital Research Centre	201
Facility for simulation and measurement of antennas and microwave components	153
Regional Partnerships Program funding for medical research in Manitoba (24 projects)	866
Other projects	870
Total	$6,925

Power Research Institute. At any one time, Manitoba Hydro may be involved in as many as 100 individual research projects.

Manitoba Hydro operates the HVDC Research Centre. The Centre, established in 1981, performs innovative research and development in HVDC and power electronic technologies, instrumentation, and simulation. The Centre has become a world leader in the technology of electric power system simulation, applied power systems analysis, and related technologies.

Overall, the research activities of Manitoba Hydro help ensure the company is on the leading edge of technological developments, and keeps the company positioned as a strong and capable force in the North American market.

■ University of Manitoba

Much of Manitoba's strength in research and innovation arises from work undertaken at its universities. These institutions are providing the knowledge and the skilled labour force necessary for economic development and growth in the 21st century economy. They serve as incubators for new ideas in basic and applied research, and are a training ground for the next generation of researchers.

In 1999/2000, Statistics Canada estimates that R & D expenditures by Manitoba's higher education sector totaled $157.5 million. Natural sciences and engineering (including health sciences) accounted for approximately three-quarters of this total, while social sciences accounted for the remainder.

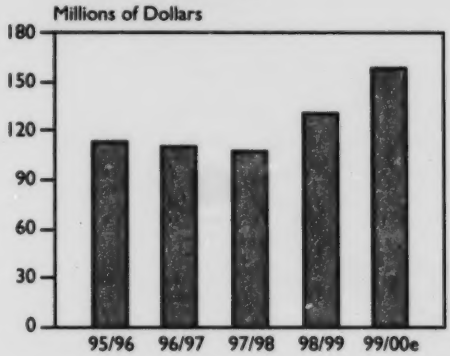
The University of Manitoba is one of Canada's major research universities. It provides instruction to thousands of students annually, and has 6,000 academic and support staff. The University's reputation for outstanding research has earned it national and international recognition, and has helped it to earn over $90 million annually in grants and contracts. Many of the research projects conducted at the University involve collaboration and partnership with other higher education institutions, private firms and governments.

The University is home to more than 20 research centres and institutes including applied ethics, ageing, cell biology, transportation and higher education to cardiovascular sciences, health policy, earth observation science and theoretical physics. The University is home to the Freshwater Institute, Cadham Provincial Laboratories and the Agriculture Canada Research Station.

The University is an active participant in the national Networks of Centres of Excellence program. Currently, the University's researchers participate in 16 of the 22 networks created under this program, and the University is the headquarters of Intelligent Sensing for Innovative Structures Canada (ISIS), the national network focusing on 'smart' civil infrastructure. Other Networks in which the University participates include: genetic diseases, arthritis, stroke research, telecommunications research, robotics and intelligent systems, bacterial diseases, protein engineering, water research, sustainable forest management, photonic innovations, microelectronic devices and systems, automobile design and engineering, vaccines and immunotherapeutics, mathematics of information technology and health information.

With support from federal agencies and private donors, the University of Manitoba has established a number of research chairs to ensure its leadership role in areas of established excellence. The research programs of these chairs focus on such important fields as aerospace materials, infectious diseases, population health, earth materials, applied electromagnetics, archaeology, and cancer cell biology. The University's life sciences research activities are further strengthened through active partnerships with several major provincial medical research organizations, including CancerCare Manitoba, the Health Sciences Centre, St. Boniface General Hospital Research Centre, the Children's Hospital Foundation, and the Canadian Science Centre for Human and Animal Health.

R & D Expenditures in Manitoba Higher Education 1995/96 - 1999/00e



e - Estimate

Source: Statistics Canada

SMARTpark is the research and innovation technology park located at the University of Manitoba. SMARTpark brings together industry and the University to promote R & D and the growth of knowledge-based industry. One of the key features of the park is its proximity and access to the University. Late in 2001, a new $25 million Functional Foods and Nutraceuticals research facility was announced for the SMARTpark facility.

Appendix 2: STRONG COMMUNITIES IN A SUSTAINABLE ENVIRONMENT

Sustainable development involves integration of environmental concerns with the need to create economic opportunity in communities – communities that strive to provide a high quality of life while putting as much back into their surroundings as they take out. The following examples of how the Manitoba Government is working toward this complex goal are by no means comprehensive or exhaustive.

A Sustainable Public Sector

Mandated by Manitoba's *Sustainable Development Act*, passed in 1997, the Manitoba Government has put in motion a wide-ranging set of initiatives to get its environmental house in order. The aim is to ensure that sustainable development principles inform the everyday workings of the Government. Under the Sustainable Development Strategy, announced in June 2000 by Manitoba Conservation Minister Oscar Lathlin, the Government has introduced:

- a *Provincial Sustainable Development Code of Practice* to ensure that all Government activity takes due regard for climate change, health, water quality, and sustainability of local communities;
- a set of *Provincial Sustainable Development Financial Management Guidelines* which require departments to incorporate sustainable development objectives in all programs and initiatives; and
- *Green Procurement Guidelines* to ensure goods and services are acquired and used in an environmentally responsible way that also contributes to sustainable communities.

These processes include consultation, evaluation, and revision to ensure that Government practices keep abreast of changing conditions, needs and issues.

Developing a Strategic Vision with Public Participation

In addition to putting sustainable practices in place for its own operations, the Manitoba Government is responsible for public policy initiatives and monitoring to promote the environmental sustainability of our communities and our economy. This is a new area, and all jurisdictions are learning as they go along.

INDICATOR CATEGORIES

- demographics
- economic performance
- land use
- biodiversity and habitat conservation
- wildlife
- air
- water
- fish
- forests
- soil
- agriculture
- minerals
- energy
- consumption
- employment
- education
- equity and rights
- physical infrastructure
- community and culture
- governance
- health
- justice
- perceived quality of life

The Manitoba Round Table for Sustainable Development (MRSD), with input from public workshops in communities around the province during 2000, has developed and proposed to the Government a new set of sustainability indicators in 23 categories.

On the basis of these indicators, the Government is now preparing the first in a regular series of public sustainability reports for July 2005. Sustainability reporting is a tool aimed at helping Manitobans to identify long-term environmental problems and sustainable development issues as they arise, and to evaluate the effectiveness of public and private responses to such problems and issues.

Additional strategies are being developed with public participation and implemented in such areas as:

- green budgeting and finance;
- sustainable northern development;
- improved water quality, water management, and flood control;
- agriculture;
- wildlife;
- fisheries;
- climate change; and
- education for sustainable development.

"Environmental tax credits, which compensate and recognize landowners who carry out conservation practices, is one instrument that can be used to correct the distorted market structure associated with ecological goods and services. The Manitoba Climate Change Task Force applauds the government of Manitoba's initiative to introduce an Environmentally Sensitive Areas Tax Credit."

— the Axworthy Report

Getting Manitoba's Youth Involved

Manitoba's young people can contribute their input and energy toward our common future through the activities of the Manitoba Youth Round Table for Sustainable Development. MRSD has also established an annual scholarship to assist students attending an approved Manitoba post-secondary institution who pursue studies and undertake research which reflects the principles of sustainable development. This promotes the environmental agenda, while making Manitoba a better place to do R&D in this field. The Environmental Youth Corps (EYC) program provides ecologically oriented employment opportunities for youth.

Sustainable Communities

The Province's approach to sustainable development gives special attention to community economic needs and opportunities. One particular aim is to take an integrated view of the sustainability of Northern and Aboriginal communities. The 2002 Manitoba Budget provides $400,000 for a new initiative in this regard – the Northern Development Strategy which includes Aboriginal Relations. Another example is the ongoing development planning exercise for communities in the region east of Lake Winnipeg.

A New Drinking Water Program

In response to a report at the end of 2000 from the Drinking Water Advisory Committee, a total of $1.3 million has been allocated to the Department of Conservation for a new drinking water safety program. Its purpose is to improve the effectiveness of Provincial support for the testing of drinking water.

Environmentally Sensitive Areas Tax Credit

An example of innovative programming to help draw attention to the need for sustainability in agriculture is the Department of Finance's new Environmentally Sensitive Areas Tax Credit. First announced in last year's Manitoba Budget, this program offers property tax credits to agricultural landholders who meet specific sustainable land management requirements. The 2002 Budget allocates $400,000 for this purpose, focused this year exclusively on riparian (creekbank and riverbank) land management practices. This program is designed to reinforce mounting efforts in the agricultural community, by the Riparian Health Council, and by the Departments of Agriculture and Conservation, to improve the health of Manitoba's creeks and rivers. Success in this area will result in better buffering of droughts and floods, will promote wildlife habitat, and will assist in maintaining water quality standards.

■ The Protected Areas Initiative

Another example of long-term vision leading to sustained change over time is the Protected Areas Initiative. Protected areas are sites – land, freshwater, or marine – where industrial resource extraction is prohibited by regulation. Manitoba is building a "network" of protected areas based on scientific principles of ecological representation and integrity, to conserve ecosystems and help maintain the biodiversity found within the province. The network approach recognizes that public and private areas protected for various reasons can support and complement each other. Much has been done, and much remains to do.

The accompanying map shows a) existing protected areas, and b) other sites that are not yet protected but are considered Areas of Special Interest (ASI). ASIs are subject to study and community consultation with a view to their potential inclusion in the protected area network.

AREAS PROTECTED SINCE 2000

Provincial Parks

1. Pembina Valley Provincial Park

Park Reserves

2. Goose Islands Park Reserve
3. Grand Island Park Reserve
4. Kinwow Bay Park Reserve
5. Pelican Islands Park Reserve
6. Pemmican Island Park Reserve
7. Sturgeon Bay Park Reserve
8. Walter Cook Uplands Caves Park
9. Birch Island Park Reserve
10. Fisher Bay Park Reserve

Wildlife Management Areas or Portions thereof

11. Broad Valley WMA
12. Hilbre WMA
13. Mantagao WMA
14. Peonan Point WMA
15. Proulx Lake WMA
16. St Malo WMA
17. Washow Bay WMA
18. Whitewater Lake WMA
19. Assiniboine Corridor WMA
20. Brandon Hills WMA
21. Deerwood WMA, Miami Unit
22. Lee River WMA
23. Little Birch WMA
24. Mars Hill WMA
25. Narcisse WMA
26. Onanole WMA
27. Pembina Valley WMA, Floral Unit, Grassy Lake Unit, Marringhurst, Mowbray Unit, Stuartville Unit, West Derby Unit
28. Riverside WMA
29. Souris River Bend WMA
30. Tiger Hills WMA.Ninette Unit
31. Whitemud Watershed WMA, Chipping Hill Unit, Oak Leaf Unit, Robin's Ridge Unit, Sight Hill Unit

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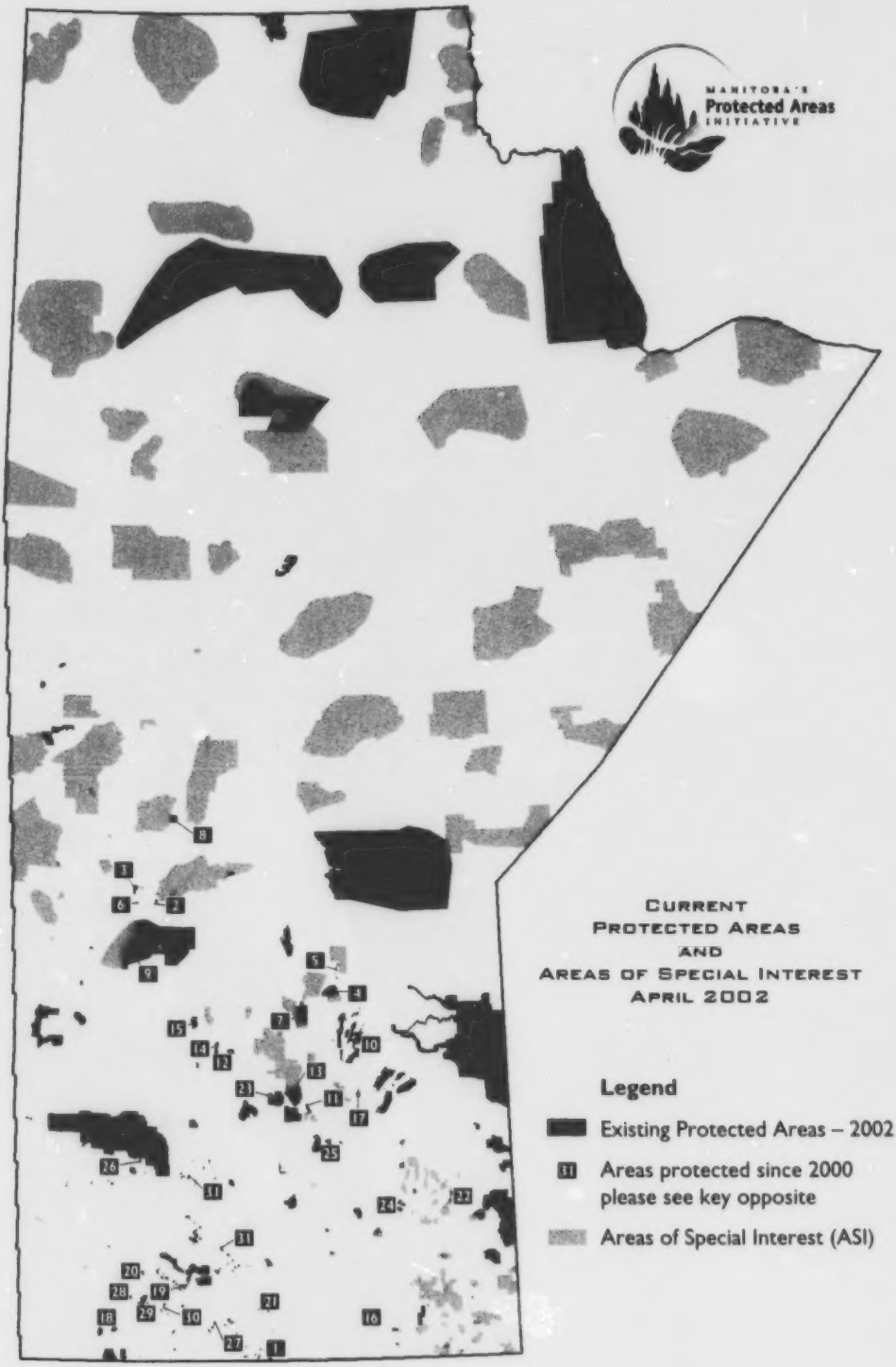
MANITOBA'S
Protected Areas
INITIATIVE
CURRENT
PROTECTED AREAS
AND
AREAS OF SPECIAL INTEREST
APRIL 2002
Legend
Existing Protected Areas – 2002
Areas protected since 2000
please see key opposite
Areas of Special Interest (ASI)

■ Funding Innovation through the Sustainable Development Innovations Fund (SDIF)

As environmental protection and restoration become important factors, innovation provides new economic opportunities, and alternative – more sustainable – ways of doing things. With a total allocation of $3.4 million in 2002/03, the SDIF is the major mechanism through which the Manitoba Government provides funding for environmental innovation. The Fund directly supports industrial innovation; environmental education; research and innovative demonstration projects; waste and pollution prevention; and sustainable economic development and diversification for communities in various parts of Manitoba, including Aboriginal communities. Components of SDIF include the following.

- *The Waste Reduction and Pollution Prevention (WRAPP) Fund*, which is providing $2.2 million over four years to support projects to reduce waste, prevent pollution, and promote new integrated waste-management practices. Priority areas include: organic-waste management and composting; development of integrated waste-management systems; diversion of construction and demolition wastes from landfills; and pollution prevention.
- *The Manitoba Climate Change Action Fund (MCCAF)*, which is providing $1 million over four years to support a wide range of practical activities intended to help position Manitoba and its economy to adapt to climate change issues. These include: public education and outreach; scientific understanding about the impact of climate change and options for adaptation to it; and technological innovation and green energy alternatives.
- *Open Priority Program Funding*, which makes available $1.6 million in 2002/03 to provide grants, usually up to $50,000, for projects addressing such concerns as: regional waste management; northern environmental issues; sustainable agriculture; sustainable community development; ecosystem conservation; ecotourism; water quality protection and conservation; and education and awareness about all the above issues.

"Emissions trading is a key flexibility mechanism of the Kyoto Protocol, which allows developed countries to transfer emissions credits to each other. Developed countries that reduce emissions more than is required by their national target will be able to sell their excess credits to countries that find it more difficult or expensive to reduce their own emissions. Thus, emissions trading will reduce the overall cost of meeting the targets."

— International Institute for Sustainable Development (IISD)

Funding for the SDIF is linked to revenues generated by various Environmental Protection Taxes (EPTs) totalling about $3 million. EPTs serve the dual function of a) raising revenue to correct or mitigate environmental damage from certain economic activities including product disposal, and b) sending corrected price signals to manufacturers, distributors and consumers. These have the effect of moving production and consumption toward more sustainable alternatives. EPTs include taxes on alcohol beverage containers and disposable diapers.

In addition, special product levies and environmental handling charges on products such as tires and non-alcoholic beverage containers are applied by the Tire Stewardship Board, the Manitoba Product Stewardship Corporation, and the Manitoba Association for Resource Recovery Corporation toward the efficient and environmentally sound disposal of these products.

■ Manitoba: Poised to Lead in a Clean-Energy Future

Global warming is the increase in the temperature of the earth's atmosphere, attributed to the build-up of greenhouse gases (primarily carbon dioxide, water vapour, methane gas, and nitrous oxide). The acceleration of this build-up is due to fossil-fuel use since the industrial revolution. The burning of carbon-based fossil fuels is a major contributor to greenhouse gas emission. Forest fires, droughts, floods, and increased climatic variability are only a few examples of the worrisome effects of global warming on the Prairies and other regions.

The World Economic Forum places Canada among the top nations of the world in environmental sustainability.[1] However, on a per capita basis, Canada is one of the larger world sources of greenhouse gases.[2] Various European countries, such as Denmark, have gone much farther than Canada in implementing policies to manage energy and emissions, and in developing public understanding and acceptance of such measures.

Nevertheless, the federal government has actively participated in international negotiations toward reduction of greenhouse gas emissions, including the Kyoto Protocol in 1997. The Bonn Agreement in 2001 set out details on how to measure emissions and reach national emission-reduction targets under the Kyoto Protocol. The Kyoto process would require the Canadian economy as a whole to contribute to worldwide efforts by reducing national greenhouse gas emissions to 6% below 1990 levels by 2012.

Consultations are now taking place between the federal and provincial/territorial governments – along with First Nations, the private sector, and other stakeholders – over the best ways to reach this national target and share the responsibility among regions, provinces, and economic sectors. The federal government has indicated it intends this process to culminate in formal Canadian ratification of the Kyoto Protocol. While the United States has said it does not intend to ratify the Kyoto Protocol, it is bound by an earlier United Nations framework convention to take its own effective action on climate control. This means that additional negotiation with the United States will be necessary to co-ordinate climate change and other energy measures.

1 Environmental Sustainability Index, as quoted in The Economist, March 16, 2002.

2 *Manitoba and Climate Change: Investing in our Future*, Report of the Manitoba Climate Change Task Force, also known as the Axworthy Report, September 2001.

Our Climate Change Strategy is conceived as a partnership between governments and public agencies at all levels: First Nations; non-governmental organizations; businesses; and researchers and educators.

In part because our leading energy provider, Manitoba Hydro, offers low-cost, clean, and renewable hydro-electric energy, our economy as a whole already relies less on fossil fuels than is the case in some other regions. Further, because there is considerable potential to expand our hydro production, we are in a good position to build our own industrial base on access to sustainable, clean hydro power. Even more important, if demand for hydro power increases significantly in a post-carbon world, we may be able to position ourselves to boost hydro exports. Finally, we are determined that Manitoba should be a leader in the development of alternative energy technologies to power an environmentally cleaner future.

The Manitoba Government has recognized the risks of climate change, as well as the important opportunities we expect for our economy due to the inevitable worldwide move toward cleaner energy. Our Province has been at the forefront in supporting the federal commitment to take national action on climate change issues, under the Kyoto Protocol and by other means. We believe it is right in principle, and in the national interest, to support a practical régime of emissions trading or other similar credits; the aim is to allow a market-mediated shift toward cleaner energy sources with a minimum of disruption, economic distortion, and inefficiency. This is a logical way for clean energy exporters such as Manitoba to receive credit for their contribution to the displacement of carbon fuels. It would serve as incentive for further investment in clean energy; it would also provide appropriate market signals to polluters to reflect in their production decisions the global costs of emissions they still create. Such an approach would have validity whether reduction targets were based on the Kyoto Protocol or on other mechanisms.

"If we do nothing now, we could find that we have to take much more urgent and damaging action at some point in the future."

— Sir John Browne, CEO of British Petroleum

Meanwhile, we are taking strategic action of our own to deal effectively with climate change issues and to position Manitoba for the economic changes that will result from a global shift toward cleaner energy sources.

- In 2001, we commissioned *Manitoba and Climate Change: Investing in our Future,* the report of the Manitoba Climate Change Task Force, which was chaired by Honourable Lloyd Axworthy, former federal Cabinet Minister and currently Director and CEO, Liu Centre for the Study of Global Issues, University of British Columbia. The Task Force conducted research on the issues, consulted widely with concerned Manitoba individuals and groups, and delivered 35 detailed and wide-ranging recommendations. Premier Doer has strongly supported the directions recommended by the Task Force, and the Province is using this report as a strategic road map in developing the Manitoba Climate Change Action Plan.

- We established the Manitoba Climate Change Action Fund (see above), which itself is the umbrella for government support of a wide range of research and innovation, including work on alternative energy sources, and sustainable development education.
- The Province, together with Manitoba Hydro, has established the Manitoba Climate Change Connection. This $160,000, 18-month pilot project was a key recommendation of the Axworthy Report. Funded in part by the Climate Change Action Fund, it brings together stakeholders from across the province in a partnership to raise public awareness of climate change issues. Hosted by the Manitoba Eco-Network, the Manitoba Climate Change Connection will conduct public education and provide enquiry services for Manitobans.
- We are studying how best to assist specific emissions-intensive sectors – such as agriculture, transportation and forestry – to make a smooth, market-mediated transition to a future economy in which use of fossil fuels is generally more expensive. While Manitoba is poised to benefit from the shift to cleaner energy, success in smoothing the path for these sectors will provide added stability to the Manitoba economy as a whole.
- As part of a more explicit overall conservation mandate, Manitoba Hydro has been given an important role in positioning Manitoba to respond effectively to climate change issues. With its 1999 purchase of Centra Gas, and its prospective acquisition of Winnipeg Hydro, Manitoba Hydro is an integrated energy utility with unsurpassed expertise, experience, professionalism, and integrity. As a Crown corporation, it is also uniquely well placed to ensure that key aspects of energy policy are implemented efficiently so as to yield maximum benefits for all Manitobans.
- The fuel source at the Selkirk generating station is being switched from coal to natural gas. This will result in cleaner air and reduced greenhouse gas emissions.
- Earlier this month, Manitoba Hydro announced its new Residential Heat Pump Program. Hydro customers will be offered a low-interest loan of up to $15,000 toward installation of a geothermal heat pump, and heat pump dealers and installers will receive training, information, and assistance in developing standards.
- Under the new Energy Development Initiative (EDI), the Government and Manitoba Hydro are seeking strengthened partnerships to promote strategic development of other alternative energy technologies, such as hydrogen and biomass. The federal government, First Nations, and local industries are all potential participants.
- We are working on new initiatives for ethanol production and use. For example, ten City of Winnipeg buses are taking part in a road test for a new Manitoba-produced ethanol-diesel fuel blend, which is expected to reduce tailpipe emission of both greenhouse gases and other respiratory irritants. If the test is successful, the fuel will become available more widely for agriculture, transport and industry.

- In January 2001, Manitoba Hydro announced a new residential Power Smart program to help Manitoba families save on their energy bills. Since that time, there have been 1,600 home energy audits conducted and over 5,600 low-interest loans approved, representing a value of $18.8 million toward home renovations. It is estimated that 180 person-years of employment have been created as a result of this program.
- Manitoba Hydro, together with the Province, is assisting Manitobans through other new programs to ensure the sustainability of home heating. These include the R-2000 Home Program, New Home Workshops, and Home Energy Savers Workshops.

Appendix 3: INVESTING IN MANITOBA'S WATER RESOURCES

Water is fundamental to Manitobans' everyday lives. Water issues - hydro-electric energy generation, flood control, water drainage, water quality, and waste disposal - require careful attention. By investing in the management of this precious natural resource, we can invest in the future of our province, and ensure that water remains a valuable asset to Manitobans, and a beneficial part of our future.

In Budget 2002, the Government is:

- Committing a further $40 million to the Red River Floodway. Since 1999, the Floodway has benefited from substantial improvements, including a major improvement to the reliability of the control structure. Many other flood-proofing investments have been undertaken including flood-proofing of ring dike communities, and flood-proofing of homes outside those communities.

  Flood-proofing is critical, but it is also expensive. The Government continues to press the federal government to increase its commitment to assist in extending and expanding Manitoba's flood-proofing infrastructure.

- Continuing to address the need to secure Manitoba's water resources by opposing the Devils Lake and Garrison Diversion water projects.

- Investing in the province's future by undertaking significant infrastructure projects related to watershed management and drainage, water quality and supply, waste management and flood management. These improve both the quality of life for Manitobans, and also increase security. An illustrative list of capital projects, *Water-Related Infrastructure Projects*, follows.

Many of the listed projects were committed under the first year of the six-year, $180 million Canada/Manitoba Infrastructure Program. A second round of Infrastructure Program project approvals will be announced shortly, and will again target significant funding from federal, provincial and local governments to improving water quality and waste water systems, particularly in Manitoba's rural and northern communities.

Water-Related Infrastructure Commitments

Thousands of Dollars

COUNT	CATEGORY	PROJECT COST	PROVINCIAL CONTRIBUTIONS	PROVINCIAL PERCENT
4	Feasibility studies	$199.7	$99.9	50.0%
33	Water supply & wells	$42,494.8	$12,457.7	29.3%
36	Water treatment plants	$21,498.2	$10,004.3	46.5%
26	Water & sewer systems	$33,549.7	$20,892.8	62.3%
7	Lift Stations	$2,298.8	$1,515.6	65.9%
44	Other waste management	$24,156.9	$9,052.1	37.5%
10	Drainage & Flood control	$117,707.5	$72,405.8	61.5%
160	TOTAL WATER-RELATED	$241,905.6	$126,428.2	52.3%

Selected Water-Related Infrastructure Projects
Committed since 2000

PROPONENT	PROJECT TITLE
Feasibility Studies	
Brokenhead, RM of	F.S. for a Municipal Water and Sewer System
Snow Lake, Town of	Water Supply System Feasibility Study
Souris, Town of	Water Treatment Plant Feasibility Study
Leaf Rapids, Town of	Water & Sewer Infrastructure Feasibility Study
Water Supply Projects (including wells)	
Grey, RM of	Regional Water Supply - Haywood
Pembina Valley Water Co-Op	Water Distribution Lines - Haywood
Emerson, Town of	Waterline renewals
Somerset, Village of	Watermain replacement
Stanley, RM of	Corridor Water Extension
Brandon, City of	Ninth Street Reservoir Water Supply Line
Hamiota, Town of	Waterline renewal
Carberry, Town of	Water Pumphouse Upgrade
Cartier, RM of	Water Supply Pipeline - Elie SE & Sacotach
Cartier, RM of	Regional Water Supply Pipeline-Lido Plage to Springstein
Daly, RM of	Water Supply Pipeline-West Side Bradwardine
Dufferin, RM of	Water Supply Pipeline - PuraPork-Roland
Dufferin, RM of	Water Supply Pipeline
Dufferin, RM of	Water Supply Pipeline & Services
Kelsey, RM of, Phase II	Ph. II - Water Supply Pipeline
Kelsey, RM of, Phase I	Water Supply & Rural Water Pipeline
Macdonald, RM of	Water Supply Upgrade (SCADA & Reservoir already done)
Montcalm, RM of	Water Supply Pipeline
Portage La Prairie, City of	Water Supply Feedermains
Portage La Prairie, City of	Water Supply Upgrading
Portage La Prairie, RM of	Water Supply Pipeline - Poplar Point
Portage La Prairie, City of	Water Supply Upgrade (Reservoir & Pump)
Portage La Prairie, RM of	2000 Water Supply Pipelines-Poplar Point
Portage La Prairie, RM of	Water Supply Pipeline Extension (Burnside-southport extension.)

Ritchot, RM of	Water Supply Pipeline Red River Drive
Rosedale, RM of	Water Supply Pipeline
Souris, Town of	Water Supply Upgrading
Souris, Town of	Water Supply Pipeline
Stanley, RM of	Reservoir and Water Supply Pipeline - Reinfeld
Stanley, RM of	Watermains & Service Connection
Victoria, RM of	Watermain Renewal & LS Upgrading - Holland
Wallace, RM of	Rural Water Pipeline F.S.
Taché, RM of	Decommissioning/Sealing Wells

Water Treatment Projects

Benito, Village of	Water Plant Upgrades
Dauphin, City of	Chlorination/Dechlorination
Rossburn, Town of	Improving Water Quality
Woodlands, RM of	Village of Woodlands Water Improvement
Cormorant, Village of	Water Treatment Plant Upgrade
Lac Du Bonnet, Town of	Water Treatment Plant Upgrade
Carman, Town of	Water Treatment Plant Filter/Media
Victoria, RM of	Holland Water Treatment Plant
Grey, RM of	Elm Creek Water Treatment Plant Upgrading RO Replacement
Benito, Village of	Water Treatment Plant Upgrading
Blanshard, RM of	Water Treatment Plant upgrading
Bowsman, Village of	Water Treatment Plant Upgrading
Deloraine, Town of	Water Treatment Plant Upgrading (Pressure System)
Deloraine, Town of	Water Treatment Plant Upgrading
Lac Du Bonnet, Town of	Functional Design of Water Treatment Plant
Lac Du Bonnet, Town of	Water Treatment Plant Upgrading
Manitou, Town of	Water Treatment Plant Upgrading
Mccreary, Village of	Water Treatment Plant Upgrading
Notre Dame De Lourdes, Village of	Water Treatment Plant Upgrading (Emergency Standby Pumping Unit)
Pilot Mound, Town of	Water Treatment Plant Upgrading
Portage La Prairie, City of	Water Treatment Plant Upgrading
Roblin, Town of	Water Treatment Plant Upgrading
Rosedale, RM of	Water Treatment Plant Upgrading
Rossburn, Town of	Water Treatment Plant Upgrading

Shellmouth-Boulton, RM of	Inglis Water Treatment Plant Upgrade
Shellmouth-Boulton, RM of	Ph. III Water Treatment Plant Upgrading - Inglis
Shellmouth-Boulton, RM of	Water Treatment Plant Upgrading-Phase IV - Increase Pump Capacity
Ste. Rose Du Lac, Town of	Water Treatment Plant Upgrading
Strathclair, RM of	Water Treatment Plant Upgrading (Strathclair)
Strathcona, RM of	Belmont Water Treatment Upgrading
Swan River, Town of	Functional Design for Water Treatment Plant
Swan River, Town of	Water Treatment Plant Upgrading and Reservoir Expansion
Thompson, RM of	Water Treatment Plant Upgrading
Virden, Town of	Water Treatment Upgrading
Winkler, Town of	Water Treatment Plant Clarifier Upgrade
Winnipegosis, Village of	Water Treatment Plant Upgrading

Water & Sewer System Projects

Rockwood, RM of	Balmoral Sewer & Water
Morris, RM of	Sperling Sewer & Water
Morris, Town of	Water & Wastewater Renewal
Whitehead, RM of	LUD Alexander Water & Sewer System
Neepawa, Town of	Sewer & Water Upgrades
Lansdowne, RM of	Arden Water & Sewer
Russell, Town of	Expansion of Sewer & Water
Park - North, RM of	San Clara Water & Sewer
Swan River, Town of	Water & Sewer Infrastructure
East St. Paul, RM of	Sewer & Water Infrastructure Enhancement
Lynn Lake, Town of	Water Supply & Treatment System
Duck Bay Community Council	Water & Sewer Lines Upgrade
Camperville Com. Council	Water & Sewer Lines Upgrade
The Pas, Town of	Water Distribution/Collection
Richot, RM of	Ritchot Regional Water System (St. Adolphe/Ile des Chênes)
Brokenhead, RM of	Brokenhead/Tyndall/ Garson Water Sewer
Alexander, RM of	Water & Sewer Infrastructure Upgrade - Phase I
Beausejour, Town of	Water & Sewer Extensions
Birtle, RM of	Upgrading of Low Pressure System in Foxwarren
Headingley, RM of	Sewage Treatment Plant and Watermain Upgrading
Headingley, RM of	Water & Sewer Extension to Empire/Strathboine/Roblin

Morris, RM of	Sperling Water & Sewer System-Res.,Pumphouse,Lagoon, LPS
Rivers, Town of	Lagoon FS, Water Treatment Plant Upgrade & Water Station, Water & Sewer Main Upgrade.
Springfield, RM of	Water & Sewer FS (Anola, Dugald & Oakbank)
North Norfolk, RM of	Townley Street Underground Service
North Norfolk, RM of	Memory Lane Underground Service

Lift Station Projects

Killarney, Town of	Mountain Ave. Lift Station
Flin Flon, City of	Lift Station Replacement
Kelsey, RM of	LUD of Cranberry Portage - Lift Stations
Hanover, RM of/Niverville, Town of	Industrial Park Infrastructure Upgrade
Coldwell, RM of	Lift Station Upgrading (Lundar)
Emerson, Town of	Lift Station Upgrading
Stuartburn, RM of	Vita - Lift Station and Forcemain Replacement

Other Waste Management Projects

Harrison, RM of	Water, Sewer & Lagoon Expansion-Wastewater Stabilization Pond
Whitemouth, RM of	Seven Sisters Sewer & Lagoon Expansion
Taché, RM of	Leachate Lift & Pipeline to Lorette Lagoon
De Salaberry, RM of	St. Malo Wastewater Stabilization Lagoon
Steinbach, City of	Wastewater Sewer Expansion
Plum Coulee, Village of	Wastewater Lagoon Expansion
Morden, Town of	Waste Treatment Upgrade & Expansion
Winkler, Town of	Wastewater Lagoon Expansion
Crystal City/Pilot Mound/ Louise, RM of	Joint Municipal Solid Waste Management Facility
Brandon, City of	Cell 3 B Sludge Holding Cell
Pipestone, RM of	Reston Lagoon
Boissevain, Town of	Replacement of Sewer & Sewer Lift Stations
Elton, RM of	Forrest Low-Pressure Sewer System & Lagoon
Cartier, RM of	Springstein Wastewater Pond and Forcemain
Ochre River, RM of	Lagoon - Renewal
Mccreary, Village of	Sewer System Renewal
Ste. Rose Du Lac, Town of	Water & Solid Waste Management
Mountain, RM of	LUD Birch River Gravity Sewer System

Minitonas, Town of	Sewage Disposal Upgrade
Teulon, Town of	Wastewater Lagoon Dyke Stabilization
Binscarth, Village of	F.S. of the Sewage Lagoon
Bowsman, Village of	Bowsman Sewage Lagoon FS
Brandon, City of	Wastewater Treatment Upgrade
Carman, Town of	Sludge Drying Beds
Cartier, RM of	Wastewater Stabilization Pond - Springstein
East St. Paul, RM of	Sewermain Extensions Hoddinott & Sperring Road
Elton, RM of	Sewage Lagoon FS (Forrest)
Erickson, Town of	Engineering Services for a Sewage Lagoon & Wetlands FS
Harrison, RM of	Sewage Lagoon FS (Sandy Lake)
Lansdowne, RM of	Arden Sewage Lagoon FS
Manitou, Town of	Sewerline Renewals Edith St.
Miniota, RM of	Miniota Sewage Lagoon FS
Morris, RM of	Sperling Sewage Lagoon FS
Pipestone, RM of	FS of the Sewage Lagoon - Reston
Pipestone, RM of	FS of the Sewage Lagoon - Reston
Portage La Prairie, RM of	F.S. of the Poplar Point Sewage Lagoon
Powerview, Village of	Sewermain Extensions & Lift Station
Roland, RM of	Roland Sewage Lagoon FS
Shoal Lake, RM of	Oakburn Sewage Lagoon FS
Shoal Lake, Town of	Lagoon Effluent Diversion
Souris, Town of	Sewage Treatment Plant Upgrading
Strathclair, RM of	Sewage Lagoon FS (Strathclair)
Taché, RM of	Lorette Wastewater Stabilization Pond
West St. Paul, RM of	Engineering Services for a Regional Sewage Facility
Whitehead, RM of	Alexander Sewage Lagoon FS

Drainage & Flood Control Projects

Montcalm, RM of	St. Joseph Drain Tile Construction
Province of Manitoba	Drainage & Capital Maintenance Program
Cooks Creek Conservation/ Springfield, RM	Wetland for Oakbank Lagoon Effluent
Province of Manitoba - Conservation	Red River Floodway - Notches Project
Red River Valley - Canada/MB Partnership	1,600 Homes & Businesses: Phase II Claims only
Winnipeg, City of	Individual Homes & Businesses: Phase II Claims only
Red River Valley - Canada/Manitoba Partnership	Community Ring Dykes for 14 Communities, Phase II only
Red River Valley - Canada/Manitoba Partnership	5 Town Dykes Phase II only
Province of Manitoba	Water Capital Allocations
Province of Manitoba	Waterway Maintenance (Water Branch)

Budget Paper B

FINANCIAL REVIEW AND STATISTICS

FINANCIAL REVIEW AND STATISTICS

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Introduction

The 2002 Manitoba Budget provides a balanced response to significant new challenges. Our Government made difficult decisions to manage slower revenue growth as a consequence of slower economic growth and a major federal government income tax accounting error. The decisions we have made over the past few months enable us to meet the challenge posed by these events.

Budget 2002 continues our Government's commitment to strengthening the Province's finances, and to building Manitobans' confidence in the future of our province.

- All the provisions of the balanced budget act are fully met in 2001/02 and 2002/03.
- For the first time since balanced budget legislation was enacted, there are back-to-back years (2000/01 and 2001/02) in which balances have been achieved with no withdrawals from the Fiscal Stabilization Fund.
- In 2002/03, for the third consecutive year, $96 million is set aside to repay long-term debt and pension liability.

These accomplishments are made possible by carefully managing our expenditures, and by the particular strengths of the Manitoba economy. Despite significant ongoing cost pressures in health care and emergency spending needs, 2001/02 spending is limited to 0.3% above budget, the smallest increase over budget since 1993/94. For 2002/03, the expenditures of most Government departments are reduced from last year's budget. Health care continues to be a priority, and its budget increases by 7.1%. Investment in education and support for Manitobans in need will also increase.

The Government will access exceptional surplus funds generated by Manitoba Hydro through its record-breaking export sales in the last few years. This follows the practice of other jurisdictions with public utilities. Domestic electricity rates will remain the lowest in North America. Manitoba Hydro's retained earnings will continue to grow.

In addition to creating a surplus in the Operating Fund and meeting the requirements of the balanced budget act, the Government is taking measures to accelerate the elimination of General Purpose Debt and pension liability.

The 2002 Budget builds on the progress we have made together. It meets today's challenges to help ensure a better future for all Manitobans.

Comparative Statement of Budgetary Revenue, Expenditure, Transfers and Balance

2001/02

	2001/02 3Q-Forecast	2001/02 Budget	Increase/(Decrease) From Budget to 3Q-Forecast	
	(Millions of Dollars)		(Millions of Dollars)	%
Revenue				
Own-Source	4,690	4,676	14	0.3
Federal Transfers	2,210	2,127	83	3.9
Total Revenue	6,900	6,803	97	1.4
Expenditure				
Program	6,388	6,318	70	1.1
Debt Servicing	391	439	(48)	(10.9)
Total Expenditure	6,779	6,757	22	0.3
Net Revenue	121	46	75	n/a
Interfund Transfers				
Debt/Pension Repayment	(96)	(96)	0	0.0
Fiscal Stabilization Fund	0	60	(60)	(100.0)
Balance Under Balanced Budget Legislation	25	10	15	150.0

Note 1: The 2001/02 information has been adjusted to be consistent with the 2002/03 Estimates structure. The 2001/02 forecast is based on the Third Quarter Financial Report.

■ 2001/02 Results

The Government's record of solid and stable fiscal performance has continued through the 2001/02 fiscal year. Expenditures have been controlled. Revenue growth, with measures to mitigate the losses due to the federal accounting error, is projected to be higher than budgeted. The revenue projections include an assumption that the Equalization Program regulations will be amended to remove an unjustifiable anomaly related to a federal accounting error in Personal Income Tax remittances to the Province. This situation is described in full in the Appendix to this Budget Paper.

Revenue

Own-source revenue will exceed Budget 2001 estimates. The economic slowdown was already under way at the time the 2001 Budget was prepared, and Manitoba collections were not severely impacted, even after the events of September 11.

Personal and Corporation Income Tax revenue will be $177 million below the Budget estimate. The federal accounting error has resulted in a federal recovery of $168 million related to refunds of Personal Income Tax amounts paid by mutual fund trusts for the 2000 tax year. A further recovery will occur with respect to the 2001 tax year. The accounting for Personal Income Tax revenue is outlined in the Appendix on page B?1.

In these circumstances, $150 million will be received from Manitoba Hydro. With an appropriate correction to Equalization regulations, federal transfer revenue will also be higher than budgeted.

Expenditure

Projected total expenditure exceeded the budgeted amount by $22 million. This increase reflects continuing cost pressures in health care and some emergency expenses that were incurred in the spring and summer of 2001. This increase was offset by lower than budgeted expenditures in most other departments, and by debt costs being $48 million lower than budgeted, as a result of lower interest rates and our debt management strategy. The 0.3% expenditure increase from budget was the lowest since 1993/94.

Net Revenue

Net Revenue is projected to be $121 million, representing a $75 million improvement over the Budget projection.

Balance Under Balanced Budget Legislation

Balanced budget legislation provides that $96 million will be transferred to the Debt Retirement Fund for the purpose of payment of the General Purpose Debt and pension liability. The remaining $25 million of Net Revenue will be transferred to the Fiscal Stabilization Fund.

Comparative Statement of Budgetary Revenue, Expenditure, Transfers and Balance

2002/03 and 2001/02

	2002/03 Budget	2001/02 3Q-Forecast	2001/02 Budget	Increase/ (Decrease) from 3Q-Forecast to 2002/03 Budget		Increase/ (Decrease) from 2001/02 Budget to 2002/03 Budget	
		(Millions of Dollars)		(Millions of Dollars)	%	(Millions of Dollars)	%
Revenue							
Own-Source	4,579	4,690	4,676	(111)	(2.4)	(97)	(2.1)
Federal Transfers	2,362	2,210	2,127	152	6.9	235	11.0
Total Revenue	6,941	6,900	6,803	41	0.6	138	2.0
Expenditure							
Program	6,560	6,388	6,318	172	2.7	242	3.8
Debt Servicing	368	391	439	(23)	(5.7)	(71)	(16.2)
Total Expenditure	6,928	6,779	6,757	149	2.2	171	2.5
Net Revenue	13	121	46	(108)	(89.3)	(33)	(71.7)
Interfund Transfers							
Debt/Pension Repayment	(96)	(96)	(96)	0	0.0	0	0.0
Fiscal Stabilization Fund	93	0	60	93	n/a	33	55.0
Balance Under Balanced Budget Legislation	10	25	10	(15)	(60.0)	0	0.0

Note 1: The 2001/02 information has been adjusted to be consistent with the 2002/03 Estimates structure. The 2001/02 forecast is based on the Third Quarter Financial Report.

2002/03 Budget

Revenue

Revenue for the 2002/03 fiscal year is budgeted to be only marginally higher than forecast for the 2001/02 fiscal year. Personal and Corporation Income Taxes are $310 million lower than last year's budget. The Personal Income Tax track is impacted by the federal accounting error. The economic slowdown is having a significant impact on the taxable income of many corporations, which are often able to offset losses against tax liabilities previously paid. The payment from Manitoba Hydro will be $75 million. Partially offsetting the effect of the federal accounting error are higher budgeted Equalization payments or equivalent compensation that we estimate at $140 million.

Expenditure

The 2002 Budget restrains total program expenditure to 2.7% above forecast 2001/02 expenditure. 2002/03 Program Expenditure Estimates represent an increase of $242 million over the 2001/02 Budget. Of this $242 million, close to $184 million, or about 75% will be devoted to health care. The majority of departments will have lower appropriations. Debt servicing costs will continue to decline, falling to $368 million or 5.3% of total expenditure.

Net Revenue

This Budget results in Net Revenue of $13 million, as compared to the $46 million budgeted and $121 million forecast for 2001/02.

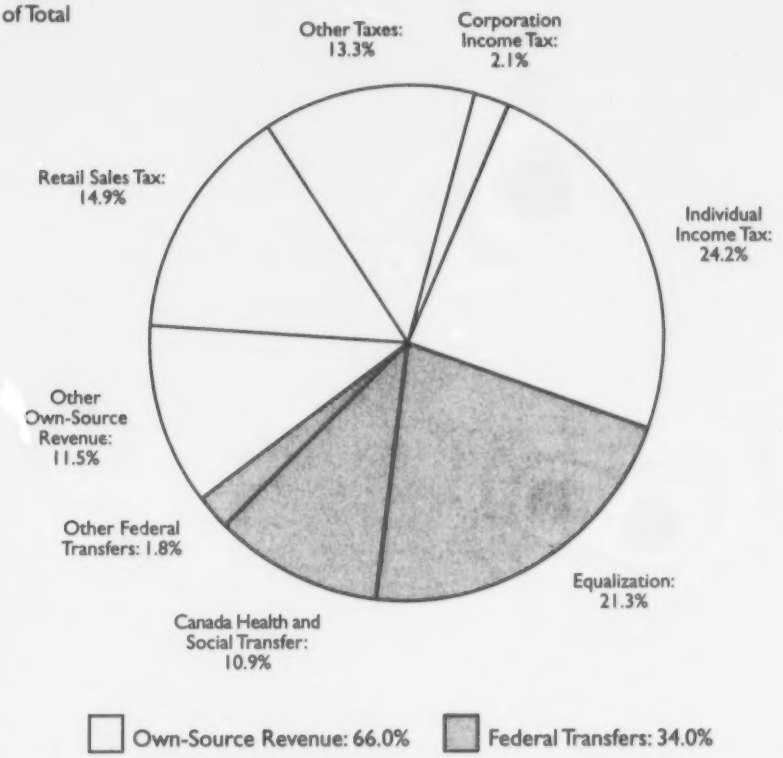
Balance Under Balanced Budget Legislation

This Budget continues to apply $96 million to General Purpose Debt and pension liability retirement. As in the past, the Debt Retirement Fund Allocation Committee will determine the most cost-effective use of these funds. The Budget assumes $75 million is applied to the payment of General Purpose Debt. A draw of $93 million from the Fiscal Stabilization Fund is budgeted, all of which will be used for debt and pension repayment. The balance under balanced budget legislation is a positive $10 million.

Provincial Revenue, 2002/03

Major Sources

Percent of Total



Revenue by Source

2002/03 and 2001/02

	2002/03 Budget	2001/02 3Q-Forecast	Change 2002/03 from 3Q-2001/02 Forecast	
	(Millions of Dollars)		(Millions of Dollars)	(%)
Own-Source Revenue	4,579	4,690	(111)	(2.4)
Government of Canada	2,362	2,210	152	6.9
Total Revenue	**6,941**	**6,900**	**41**	**0.6**

Revenue Estimates

(Thousands of Dollars)

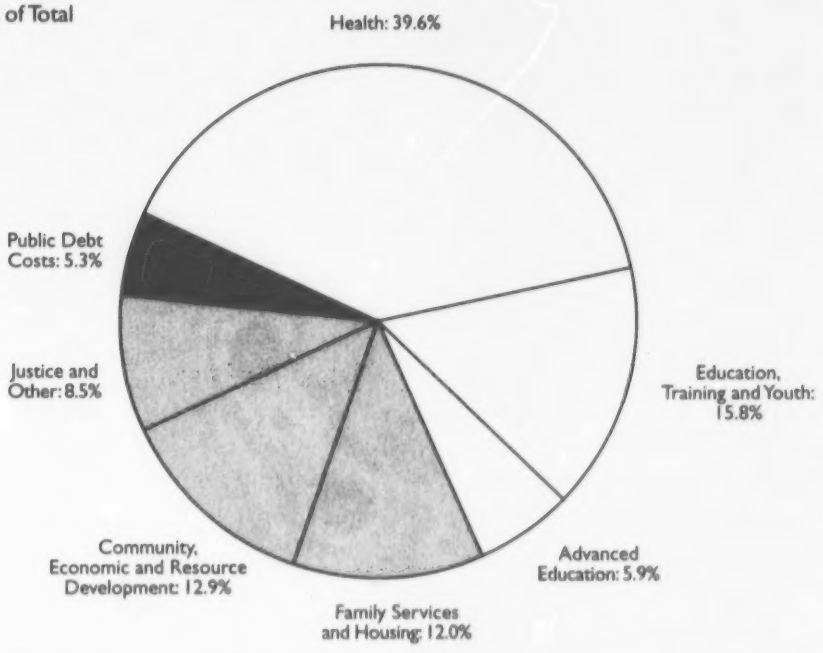
	2002/03 Estimate	2001/02 3Q-Forecast[1]	2001/02 Budget[1]	Percent Change 2002/03 from 2001/02 Forecast
■ Own-Source Revenue				
Income Taxes				
• Individual Income Tax	1,682,300	1,649,600	1,754,350	
• Corporation Income Tax	146,500	303,400	375,200	
Subtotal	1,828,800	1,953,000	2,129,550	(6.4)
Taxes, Levies and Collections				
• Land Transfer Tax	13,000	13,082	11,900	
• Corporation Capital Tax	129,000	133,200	137,500	
• Gasoline Tax	157,600	157,000	157,000	
• Insurance Corporations Tax	42,363	41,452	41,452	
• Levy for Health and Education	243,300	240,100	241,400	
• Mining Tax	17,500	16,700	20,000	
• Motive Fuel Tax	67,700	67,000	67,000	
• Oil and Natural Gas Tax	3,314	3,553	3,984	
• Retail Sales Tax	1,032,500	976,450	957,600	
• Revenue Act, 1964, Part I	65,600	65,600	65,600	
• Tobacco Tax	178,000	140,000	135,500	
• Environmental Protection Tax	3,000	3,000	3,000	
• Other Taxes	72	431	112	
Subtotal	1,952,949	1,857,568	1,842,048	5.1
Fees and Other Revenue				
• Fines and Costs; and Other Legal	19,765	18,036	21,393	
• Minerals and Petroleum	5,450	5,320	5,942	
• Automobile and Motor Carrier Licences and Fees	69,975	61,443	60,993	
• Drivers' Licences	14,066	14,066	14,066	
• Water Power Rentals	98,690	108,200	103,100	
• Parks; Forestry; Fisheries; and Other Conservation	27,174	27,901	29,210	
• All Other Manitoba Collections	56,497	72,332	55,947	
Subtotal	291,617	307,298	290,651	(5.1)
Crown Corporations/Entities				
• Manitoba Lotteries Corporation	252,000	248,000	240,000	
• Manitoba Liquor Control Commission	167,000	162,500	161,250	
• Manitoba Hydro	75,000	150,000	0	
• Other	11,650	12,545	12,200	
Subtotal	505,650	573,045	413,450	(11.8)
Total Own-Source Revenue	**4,579,016**	**4,690,911**	**4,675,699**	**(2.4)**
■ Federal Transfers				
• Equalization	1,481,300	1,390,300	1,306,100	
• Canada Health and Social Transfer (CHST)	728,800	683,900	677,800	
• Medical Equipment Fund	19,300	2,842	18,000	
• Primary Health Care Transition Fund	5,200	0	0	
• Other Transfers	127,674	132,526	125,800	
Total Federal Transfers	**2,362,274**	**2,209,568**	**2,127,700**	**6.9**
■ Total Budgetary Revenue	**6,941,290**	**6,900,479**	**6,803,399**	**0.6**

Note 1: The 2001/02 information has been adjusted to be consistent with the 2002/03 Estimates structure. The 2001/02 forecast is based on the Third Quarter Financial Report.

Provincial Operating Expenditure, 2002/03

Major Categories

Percent of Total


Health: 39.6%
Education, Training and Youth: 15.8%
Advanced Education: 5.9%
Family Services and Housing: 12.0%
Community, Economic and Resource Development: 12.9%
Justice and Other: 8.5%
Public Debt Costs: 5.3%

Program Expenditure Estimates

2002/03 and 2001/02

	2002/03 Budget	2001/02 3Q-Forecast[1]	Change 2002/03 from 2001/02 Forecast	
	(Millions of Dollars)		(Millions of Dollars)	(%)
Health	2,771	2,686	85	3.2
Education, Training and Youth	1,108	1,073	35	3.3
Advanced Education	412	412	0	0.0
Family Services and Housing	839	812	27	3.3
Other Departments	1,495	1,426	69	4.8
Expenditure Estimates	**6,625**	**6,409**	**216**	**3.4**

Note 1: The 2001/02 information has been adjusted to be consistent with the 2002/03 Estimates structure. The 2001/02 forecast is based on the Third Quarter Financial Report.

Operating Expenditure Estimates

(Thousands of Dollars)

	2002/03 Estimate	2001/02 3Q-Forecast[1]	2001/02 Budget[1]	Percent Change 2002/03 from 2001/02 Forecast
■ Health	**2,770,933**	**2,685,918**	**2,587,328**	**3.2**
■ Education				
• Advanced Education	411,660	412,257	415,899	
• Education, Training and Youth	1,107,627	1,073,287	1,074,387	
Total Education	**1,519,287**	**1,485,544**	**1,490,286**	**2.3**
■ Family Services and Housing	**839,047**	**812,285**	**810,395**	**3.3**
■ Community, Economic and Resource Development				
• Aboriginal and Northern Affairs	27,340	23,900	24,717	
• Agriculture and Food	121,151	119,428	122,113	
• Conservation	144,248	147,339	149,161	
• Industry, Trade and Mines	47,814	48,248	51,212	
• Intergovernmental Affairs	141,926	140,228	143,780	
• Transportation and Government Services	341,157	319,132	327,085	
• Enabling Appropriations	56,417	10,827	69,888	
• Other Appropriations	20,775	37,464	20,775	
Total Community, Economic and Resource Development	**900,828**	**846,566**	**908,731**	**6.4**
■ Justice and Other Government				
• Legislative Assembly	22,807	22,780	22,369	
• Executive Council	3,435	3,372	3,571	
• Civil Service Commission	4,311	3,675	4,411	
• Community Support Programs	5,731	5,852	6,033	
• Consumer and Corporate Affairs	9,576	9,426	9,773	
• Culture, Heritage and Tourism	59,201	58,959	60,125	
• Employee Pensions and Other Costs	60,012	57,131	57,358	
• Finance	104,738	102,869	106,158	
• Healthy Child Manitoba	21,730	16,038	17,085	
• Justice	237,397	234,262	231,108	
• Labour and Immigration	26,016	25,255	25,351	
• Seniors Directorate	739	717	788	
• Sport	10,315	10,263	10,368	
• Status of Women	1,146	1,152	1,218	
• Enabling Appropriations	27,500	26,637	25,833	
Total Justice and Other Government	**594,654**	**578,388**	**581,549**	**2.8**
■ Total Program Estimates	**6,624,749**	**6,408,701**	**6,378,289**	**3.4**
■ Public Debt Costs	**368,310**	**390,557**	**438,689**	**(5.7)**
■ Total Expenditure Estimates	**6,993,059**	**6,799,258**	**6,816,978**	**2.9**
■ Less: Year-End Lapse and In-Year Savings	**(65,000)**	**(20,000)**	**(60,000)**	
■ Total Budgetary Expenditure	**6,928,059**	**6,779,258**	**6,756,978**	**2.2**

Note 1: The 2001/02 information has been adjusted to be consistent with the 2002/03 Estimates structure. The 2001/02 forecast is based on the Third Quarter Financial Report.

Manitoba Financial Statistics, Ten-Year Summary

	2002/03 Budget	2001/02 3Q-Forecast	2000/01 Actual	1999/00 Actual	1998/99 Actual
	(Millions of Dollars)				
FINANCIAL STATEMENTS[1]					
Revenue					
Own-Source Revenue	4,579	4,690	4,661	4,264	4,323
Federal Transfers	2,362	2,210	2,091	2,073	1,559
Total	6,941	6,900	6,752	6,337	5,882
Expenditure					
Program Expenditure	6,560	6,388	6,104	5,971	5,372
Public Debt Costs	368	391[2]	511	465	515
Total	6,928	6,779	6,615	6,436	5,887
Net Revenue/(Expenditure)	13	121	137	(99)	(5)
Debt/Pension Repayment	(96)	(96)	(96)	(75)	(150)
Transfers from/(to) Fiscal Stabilization Fund	93	0	0	185	186
Balance Under Balanced Budget Legislation	10	25	41	11	31
Net Direct and Guaranteed Debt					
General Purpose	6,257	6,406	6,537	6,473	6,632
Manitoba Hydro	6,415	6,264	6,053	5,798	5,677
Other	1,250	1,100	1,086	943	947
Health Facilities	457	390	220	0	0
Capital Investments	245	245	260	245	142
Total	14,624	14,405[3]	14,156	13,459	13,398
Other Obligations					
Health Debt	202	232	358	501	450
Pension Liability	3,315	3,142	2,924	2,774	2,624
Pension Assets	(126)	(97)	(21)	0	0
Total	3,391	3,277	3,261	3,275	3,074
Total Obligations	18,015	17,682	17,417	16,734	16,472
Fiscal Stabilization Fund End of Year Balance	285	359	320	264	427
Memorandum Items					
Population (000's)	1,154	1,150	1,146	1,142	1,138
GDP at Market Prices	35,625	34,914	33,881	31,777	30,881

Note 1: Refer to Public Accounts of Manitoba for applicable statements on accounting policies.
Note 2: Reflects change in accounting policy re: tangible capital assets (see page B15).
Note 3: As at March 31, 2002: see Operating Fund Statement of Valuation and Purpose of Direct and Guaranteed Debt Outstanding.

1997/98 Actual	1996/97 Actual	1995/96[5] Actual	1994/95 Actual	1993/94 Actual	
		(Millions of Dollars)			
					FINANCIAL STATEMENTS
					Revenue
3,858	4,047[4]	3,789	3,310	3,247	Own-Source Revenue
1,884	1,716	1,873	1,895	1,629	Federal Transfers
5,742	5,763	5,662	5,205	4,876	Total
					Expenditure
5,171	4,869[4]	4,913	4,804	4,752	Program Expenditure
520	539	592	597	585	Public Debt Costs
5,691	5,408	5,505	5,401	5,337	Total
51	355	157[6]	(196)	(461)	**Net Revenue/(Expenditure)**
(75)	0	0	0	0	**Debt/Pension Repayment**
100	(264)	0	0	30	**Transfers from/(to) Fiscal Stabilization Fund**
76	91	157	(196)	(431)	**Balance Under Balanced Budget Legislation**
					Net Direct and Guaranteed Debt
6,773	6,808	6,814	7,364	6,834	General Purpose
5,569	4,893	5,090	5,022	5,426	Manitoba Hydro
976	1,212	1,770	1,945	1,876	Other
0	0	0	0	0	Health Facilities
0	0	0	0	0	Capital Investments
13,318	12,913	13,674	14,331	14,136	Total
					Other Obligations
461	438	604	617	607	Health Debt
2,572	2,182	2,039	1,924	1,863	Pension Liability
0	0	0	0	0	Pension Assets
3,033	2,620	2,643	2,541	2,470	Total
16,351	15,533	16,317	16,872	16,606	**Total Obligations**
565	578	210	31	29	**Fiscal Stabilization Fund End of Year Balance**
					Memorandum Items
1,137	1,134	1,130	1,124	1,118	Population (000's)
29,826	28,492	26,992	26,026	24,739	GDP at Market Prices

Note 4: Includes net gain of $264.6 million from divestiture of Manitoba Telephone System.
Note 5: Balanced budget legislation came into effect in 1995/96.
Note 6: Includes $145 million Special Lotteries Transfer.

Manitoba Financial Statistics, Ten-Year Summary

	2002/03 Budget	2001/02 3Q-Forecast	2000/01 Actual	1999/00 Actual	1998/99 Actual
Annual Change			(Percent Change)		
Own-Source Revenue	(2.4)	0.6	9.3	(1.4)	12.1
Federal Transfers	6.9	5.7	0.9	33.0	(17.3)
Total Revenue	0.6	2.2	6.5	7.7	2.4
Program Expenditure	2.7	4.7	2.2	11.2	3.9
Public Debt Costs	(5.7)	(23.5)	9.9	(9.7)	(1.0)
Total Expenditure	2.2	2.5	2.8	9.3	3.4
Balance Under Balanced Budget Legislation	(60.0)	(39.0)	272.7	(64.5)	(59.2)
Net General Purpose Debt	(2.3)	(2.0)	1.0	(2.4)	(2.1)
Total Net Debt	1.5	1.8	5.2	0.5	0.6
Percent of GDP			(Percent)		
Own-Source Revenue	12.9	13.4	13.8	13.4	14.0
Total Revenue	19.5	19.8	19.9	19.9	19.0
Program Expenditure	18.4	18.3	18.0	18.8	17.4
Public Debt Costs	1.0	1.1	1.5	1.5	1.7
Total Expenditure	19.4	19.4	19.5	20.3	19.1
Balance Under Balanced Budget Legislation	0.0	0.1	0.1	0.0	0.1
Net General Purpose Debt	17.6	18.3	19.3	20.4	21.5
Percent of Revenue					
Own-Source Revenue	66.0	68.0	69.0	67.3	73.5
Federal Transfers	34.0	32.0	31.0	32.7	26.5
Public Debt Costs	5.3	5.7	7.6	7.3	8.8
Net General Purpose Debt	90.1	92.8	96.8	102.1	112.8
Percent of Expenditure					
Program Expenditure	94.7	94.2	92.3	92.8	91.3
Public Debt Costs	5.3	5.8	7.7	7.2	8.7
Balance Under Balanced Budget Legislation	0.1	0.4	0.6	0.2	0.5
Dollars Per Capita			(Dollars)		
Total Expenditure	6,003	5,895	5,772	5,636	5,173
Public Debt Costs	319	340	446	407	453
Balance Under Balanced Budget Legislation	9	22	36	10	27
Net General Purpose Debt	5,422	5,570	5,704	5,668	5,828

Source: Manitoba Department of Finance

1997/98 Actual	1996/97 Actual	1995/96 Actual	1994/95 Actual	1993/94 Actual	
		(Percent Change)			**Annual Change**
(4.7)	6.8	14.5	1.9	12.7	Own-Source Revenue
9.8	(8.4)	(1.2)	16.3	(10.3)	Federal Transfers
(0.4)	1.8	8.8	6.7	3.8	Total Revenue
6.2	(0.9)	2.3	1.1	(3.1)	Program Expenditure
(3.5)	(9.0)	(0.8)	2.1	4.7	Public Debt Costs
5.2	(1.8)	1.9	1.2	(2.3)	Total Expenditure
					Balance Under Balanced
(16.5)	(42.0)	n/a	(54.5)	(23.9)	Budget Legislation
(0.5)	(0.1)	(7.5)	7.8	10.6	Net General Purpose Debt
3.1	(5.6)	(4.6)	1.4	11.2	Total Net Debt
		(Percent)			**Percent of GDP**
12.9	14.2	14.0	12.7	13.1	Own-Source Revenue
19.3	20.2	21.0	20.0	19.7	Total Revenue
17.3	17.1	18.2	18.5	19.2	Program Expenditure
1.7	1.9	2.2	2.3	2.4	Public Debt Costs
19.1	19.0	20.4	20.8	21.6	Total Expenditure
					Balance Under Balanced
0.3	0.3	0.6	(0.8)	(1.7)	Budget Legislation
22.7	23.9	25.2	28.3	27.6	Net General Purpose Debt
					Percent of Revenue
67.2	70.2	66.9	63.6	66.6	Own-Source Revenue
32.8	29.8	33.1	36.4	33.4	Federal Transfers
9.1	9.4	10.5	11.5	12.0	Public Debt Costs
118.0	118.1	120.3	141.5	140.2	Net General Purpose Debt
					Percent of Expenditure
90.9	90.0	89.2	88.9	89.0	Program Expenditure
9.1	10.0	10.8	11.1	11.0	Public Debt Costs
					Balance Under Balanced
1.3	1.7	2.9	(3.6)	(8.1)	Budget Legislation
		(Dollars)			**Dollars Per Capita**
5,005	4,769	4,872	4,805	4,774	Total Expenditure
457	475	524	531	523	Public Debt Costs
					Balance Under Balanced
67	80	139	(174)	(386)	Budget Legislation
5,957	6,004	6,030	6,552	6,113	Net General Purpose Debt

The Medium-Term Fiscal Framework

Total Provincial Government revenue is projected to increase at an average annual rate of about 2.7% over the medium term, a rate that reflects the lower growth trajectory arising as a result of the federal accounting error on mutual trust funds (see page B27 for a detailed discussion), and the ongoing commitment to tax relief. According to the February 2002 Conference Board Forecast, Manitoba's nominal Gross Domestic Product is expected to grow at an average annual rate of 4.4% over the next three years. Real Gross Domestic Product is expected to average about 3.1% over this period.

Program expenditure is targeted to increase at an average annual rate of 2.0% after 2002/03 – a rate that reflects a balancing of more moderate medium-term growth prospects for revenue, with the need to maintain key public services, and fund modest improvements in areas of greatest priority.

Public debt costs are expected to continue at their 2002/03 level of $368 million.

This medium-term fiscal framework incorporates draws on the Fiscal Stabilization Fund to 2004/05. However, deposits to the Debt Retirement Fund equal or exceed the Fiscal Stabilization Fund transfer each year. Beginning in 2005/06, net revenue growth will allow the Government to eliminate further draws, and begin to replenish the Fund and continue to pay down the debt.

In line with our Province's balanced budget legislation, debt reduction and the retirement of pension liability will continue at the $96 million level to 2004/05, rising thereafter to $121 million.

Medium-Term Fiscal Framework

	2001/02[1]	2002/03	2003/04	2004/05	2005/06
			(Millions of Dollars)		
Revenue	6,900	6,941	7,069	7,246	7,516
Expenditure					
Program Expenditure	6,388	6,560	6,691	6,825	6,961
Public Debt Costs	391	368	368	368	368
Total	6,779	6,928	7,059	7,193	7,329
Net Revenue	121	13	10	53	187
Interfund Transfers					
Debt/Pension Repayment	(96)	(96)	(96)	(96)	(121)
Fiscal Stabilization Fund	0	93	96	53	(56)
Balance Under Balanced Budget Legislation	25	10	10	10	10

The Medium-Term Fiscal Framework reflects current forecasts and assumptions. Should future circumstances depart from these, budget decisions will reflect these changes.

Note 1: 3Q–Forecast.

The Medium-Term Fiscal Framework

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Note 1: 3Q–Forecast.

■ Improving Transparency and Accountability

Capital Acquisitions

2002/03 will see the introduction of a measure which will include the full cost of capital assets in program costs. In the past, departments were required to budget for the cost of their capital acquisitions. The budget for the acquisition cost has been reflected through Part B of the Estimates. The related annual amortization costs have been voted as part of departmental appropriations. This has resulted in the amortization component of capital-related costs being included in overall departmental program costs. For 2002/03, this process has been expanded to include the interest-carrying costs of capital assets in each department. This interest charge is determined on the basis of the unamortized capital balance for each asset. This will not only provide greater departmental accountability for capital expenditures, but will also ensure that the interest attached to capital acquisitions is considered.

Pension Accounting

In a continued effort to address the Government's outstanding pension liability, departments will fund the cost of matching contributions for employees hired on or after October 1, 2002 from their appropriations. This funding will be directed to the Pension Assets Fund, in addition to other contributions being made through the Debt Retirement Fund. This will begin to reflect the cost of the pension benefits in the various programs across Government.

Improved Reporting

The Government's first Annual Report was issued for the fiscal year 2000/01. This fulfilled our commitment to provide more comprehensive reporting on the Government's fiscal results. The Report included not only financial statements, but also discussion and analysis. It also included financial and economic indicators for the Government's central operations, as well as for the entire Government reporting entity. Last year for the first time, a Summary Budget was presented that represented the entire Government reporting entity. In this Budget, the Report on Consolidated Operations includes the Summary Budget Forecast, information on prior years and more complete explanations of the components of the Summary Financial Statements.

■ Report on Consolidated Operations/ Summary Budget Forecast

The Report on Consolidated Operations provides information on the entire Government entity, including Government enterprises and organizations which deliver Provincial Government services.

The Operating Fund

The Operating Fund reflects the central operations of Government, and is the basis for the Estimates process and appropriations voted by the Legislature. The Operating Fund posted a surplus of $137 million in the 2000/01 fiscal year, and is projected to have a $121 million surplus for the 2001/02 fiscal year. This Budget projects a surplus for the Operating Fund of $13 million for the current year.

	2002/03 Budget	2001/02 3Q-Forecast	2001/02 Budget	2000/01 Actual
Operating Fund Balance	13	121	46	137

Interfund Transfers/Debt Retirement

For the fiscal year 2001/02, it will not be necessary to make any draw on the Fiscal Stabilization Fund. For the first time, there will be back-to-back years without a draw on the Fund. Given the lower revenue track resulting from the federal accounting error and the economic downturn in 2001, this Budget proposes a draw of $93 million for the 2002/03 fiscal year.

	2002/03 Budget	2001/02 3Q-Forecast	2001/02 Budget	2000/01 Actual
Debt Retirement Payment	(96)	(96)	(96)	(96)
Fiscal Stabilization Fund	93	0	60	0
Total Interfund Transfers	(3)	(96)	(36)	(96)

Balance Under Balanced Budget Legislation

Under balanced budget legislation, payments to the Debt Retirement Fund, and payments to or withdrawals from the Fiscal Stabilization Fund, are included to arrive at a balance. This balance must be positive to comply with the provisions of the balanced budget act. The balance will be positive for the eighth consecutive year. A positive balance of $10 million is projected.

	2002/03 Budget	2001/02 3Q-Forecast	2001/02 Budget	2000/01 Actual
Balance Under Balanced Budget Legislation	10	25	10	41

Special Funds – Change in Balances

There are a number of special funds created by the Legislature for specific purposes. The two principal funds are the Fiscal Stabilization Fund and the Debt Retirement Fund. There are also a number of small, special-purpose funds (such as Mining Community Reserve Fund and Quarry Rehabilitation Reserve), which combined are projected to have little effect on the overall balance.

	2002/03 Budget	2001/02 3Q-Forecast	2001/02 Budget	2000/01 Actual
Debt Retirement Fund	79	25	79	75
Fiscal Stabilization Fund	(74)	39	(33)	56
Other	(1)	0	0	1
Total Special Funds	4	64	46	132

Government Enterprises and Crown Corporations

This Report notes the net changes in the operating balances of Government enterprises and Crown corporations during the fiscal year. The totals for Manitoba Hydro reflect both the payments to the operating fund in 2001/02 and 2002/03, and a projected change in net earnings from $209 million in 2001/02 to $106 million in 2002/03. Accumulated retained earnings in Manitoba Hydro will continue to increase. Lower net earnings are also projected for 2001/02 for the Manitoba Public Insurance Corporation due to lower investment income and higher claims. A negative balance for 2002/03 with respect to other enterprises and Crown corporations primarily reflects the projected use of $28 million of accumulated reserves of the Manitoba Crop Insurance Corporation to assist Manitoba farmers.

	2002/03 Budget	2001/02 3Q-Forecast	2001/02 Budget	2000/01 Actual
Manitoba Hydro	31	59	99	270
Manitoba Public Insurance Corp.	5	(16)	38	46
Others	(35)	(14)	(14)	106
Total Enterprises & Crown Corps.	1	29	123	422

Balance Before Pension Items

The Consolidated Balance before consideration of the pension liability will be in surplus for the fourth consecutive year. After a small surplus of $2 million in 1999/2000, the Consolidated Net Income, before consideration of the pension liability, would total $728 million for the period 2000/01 through 2002/03.

	2002/03 Budget	2001/02 3Q-Forecast	2001/02 Budget	2000/01 Actual	3-year Total
Net Income Before Pension Items	15	118	179	595	728

Pension Liability and the Pension Assets Fund

Upon coming into office, our Administration put into place a plan to retire the General Purpose Debt and to eliminate the Government's pension liability. Prior to this, it was projected that pension liability would grow to $8.4 billion by 2028, and would continue to grow after that.

The Government continues to take concrete action toward increasing the sustainability of Provincial finances through improvements to plans to repay the long-term debt and pension liability of the Government.

The 2000 Manitoba Budget introduced a comprehensive approach to address both debt and pension obligations. This involved:

- continuation of payments of retiree pension obligations;
- continuation of the provision for debt repayment; and
- inclusion of amounts within debt retirement allocations sufficient to equal employee contributions for civil servants and teachers hired on or after April 1, 2000.

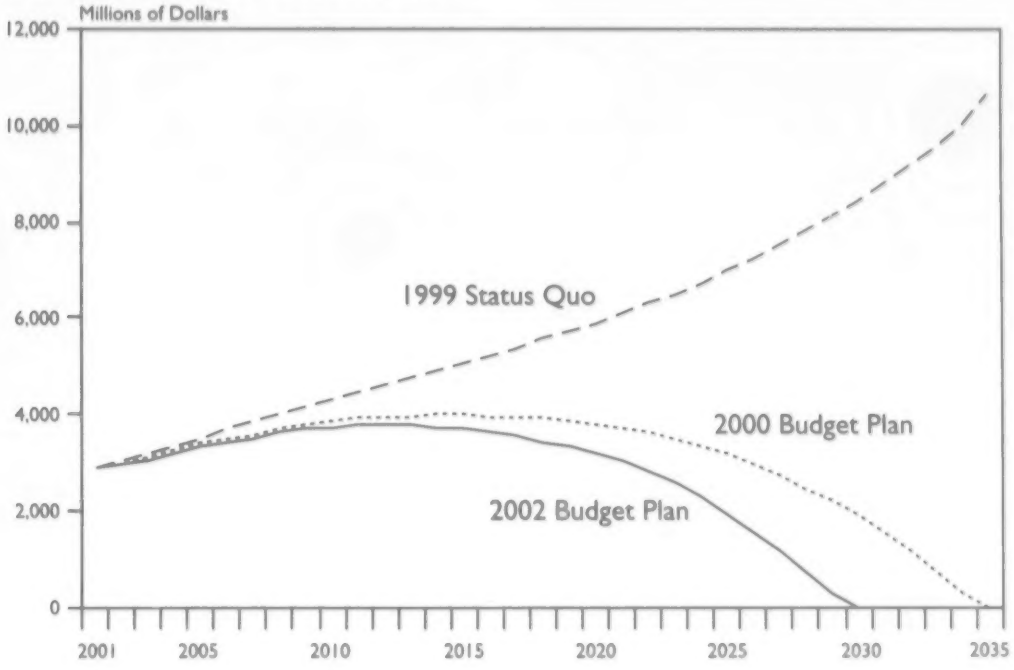
The 2001 Budget continued these measures, and $21 million from the $96 million allocation to the Debt Retirement Fund was budgeted for the Pension Assets Fund. The Debt Retirement Fund Allocation Committee increased the allocation to the pension liability to $75 million in 2001/02, and correspondingly reduced the allocation against General Purpose Debt to $21 million from the $75 million budgeted. Reflecting better pension investment returns, this change will improve the impact of the $96 million allocation by an estimated $5 million by March 31, 2005, and by $51 million by March 31, 2030.

In 2002/03, $96 million will be paid into the Debt Retirement Fund, and directed to the most appropriate purpose by the Debt Retirement Fund Allocation Committee. Based on the anticipated deposits, together with earnings, the Debt Retirement Fund is projected to grow by $80 million, and the Pension Assets Fund by $29 million in this fiscal year. The funds deposited in the Pension Assets Fund are invested with the Civil Service Superannuation Fund and the Teachers Retirement Allowances Fund. Interest earned on these investments is credited to the Pension Assets Fund.

In this Budget, the Government is once again acting to reduce the term over which the pension liability will be eliminated. In addition, beginning October 1, 2002, departments and agencies will be required to fund matching contributions for their new employees from within existing resources. It is anticipated that the requirement will be slightly under $1 million in 2002/03, $4 million in 2003/04 and approximately $6 million in 2004/05.

These measures, when taken together, are expected to ensure that the pension liability that built up over 40 years will begin to decline starting in 2013 and will accelerate payment of the pension liability by an additional five years from the 2000 Budget Plan. In addition, both the General Purpose Debt and the pension liability will be eliminated by 2036 – four years earlier than projected in the 2000 Budget Plan.

Pension Liability Retirement Plan



Year Ending March 31	1999 Status Quo	2000 Budget Plan	2002 Budget Plan
		(Millions of Dollars)	
2001	2,880	2,857	2,857
2005	3,517	3,392	3,325
2010	4,324	3,868	3,739
2015	5,073	3,998	3,706
2020	5,900	3,802	3,191
2025	6,978	3,153	1,926
2030	8,438	1,887	0
2035	10,647	0	0

Source: Manitoba Department of Finance

Summary

	2002/03 Budget	2001/02 3Q-Forecast	2001/02 Budget	2000/01 Actual	3-year Total
Net Income Before Pension Items	15	118	179	595	728
Decrease in Pension Liability	(167)	(156)	(156)	(144)	–
Increase in Pension Assets Fund	29	76	23	21	–
Consolidated Net Income (Expenditure)	(123)	38	46	472	387

After consideration of the pension liability and the Pension Assets Fund, this Budget projects a net expenditure of $123 million for the entire Manitoba Government operating entity. Over the three-year period from 2000/01 through 2002/03, it is projected that the entire Government entity will record net revenue of $387 million. Major factors for the decline in 2002/03 include significant reductions in income tax revenues, lower projected Hydro revenue and payments to farmers from accumulated reserves of the Manitoba Crop Insurance Corporation. On a comparative year-over-year basis, earlier results were augmented by payments resulting from the federal accounting error. (In fiscal year 2001/02, the federal government recovered $168 million related to mutual trust fund refunds. A further $112 million of mutual trust fund tax refunds are estimated as the amount to be assessed and recovered in 2002/03. The 2002 Budget reflects calculations of offsetting amounts, which may be received in Equalization or other payments for the 2001/02 and 2002/03 fiscal years under a settlement of the federal error issue.)

Taken together, these items reflect the entire operations of the Government. The Government's financial stewardship is directed toward ensuring the long-term sustainability of the services to Manitobans. Much has already been accomplished. The strength of Manitoba's Crown corporations and enterprises is expected to continue to contribute to the long-term sustainability of services delivered to Manitobans by their Government. This Budget, including the new measures to ensure earlier elimination of all debt and pension obligations, provides a more solid foundation for a sustainable future.

■ Fiscal Stabilization Fund

In 2001/02, the budgeted draw from the Fiscal Stabilization Fund will once again not be required. After requiring consecutive draws on the Fund from 1996/97 through 1999/2000 to meet the requirements of balanced budget legislation, this was the second year in a row that a draw was not required. The positive balance for 2001/02, projected at $25 million, is deposited in the Fiscal Stabilization Fund. The budgeted draw for 2002/03 is $93 million, all of which is directed to debt and pension liability repayment. The closing balance of the Fund is projected to be $285 million.

Fiscal Stabilization Fund Statement of Revenue, Expenditure and Balance

Projection as at March 31, 2002 and March 31, 2003

	2002/2003	2001/02 3Q-Forecast
	(Millions of Dollars)	
Fund Balance, beginning of year	359	320
Revenue		
Balance Under Balanced Budget Legislation	10	25
Interest Earnings	9	14
	19	39
Expenditure		
Transfer to Operating Fund	(93)	-
Fund Balance, end of year	285	359

Debt Retirement Fund

In accordance with *The Balanced Budget, Debt Repayment and Taxpayer Accountability Act*, a $96 million deposit to the Debt Retirement Fund is required in each of 2001/02 and 2002/03. Of the 2001/02 amount, the Allocation Committee determined that the most cost-effective allocation was $75 million to pension liability and $21 million against General Purpose Debt. In the 2002 Budget plan, the 2002/03 allocation is $21 million to pension liability, and $75 million against General Purpose Debt, subject once again to the decision of the Allocation Committee as to the most effective use.

Statement of Revenue, Expenditure and Balance

Projection as at March 31, 2002 and March 31, 2003

	2002/2003	2001/02 3Q-Forecast
	(Millions of Dollars)	
Fund Balance, beginning of year	100	75
Revenue		
Transfer from Operating Fund	96	96
Interest Earnings	4	4
	100	100
Expenditure		
Transfer to Pension Assets Fund	(21)	(75)
Fund Balance, end of year	179	100

■ Capital Investment

Part B Capital Investment is required for the annual purchase or acquisition of tangible capital assets which meet the established guidelines for amortization (see Appendix B of the 2002/03 Estimates of Expenditure). Tangible capital assets are those with a useful life extending beyond one year which are acquired, constructed or developed and held for use, not resale. Tangible assets, whose acquisition value is less than established capitalization thresholds, are recorded as operating expenditure in the year of acquisition. As of April 1, 2002, departments and agencies will be required to fund interest costs associated with Part B Capital Investment from within operating appropriations.

Any Part B Capital Investment authority that is not used at year-end, lapses, similar to unused Part A Operating Expenditure authority.

The following table outlines the Part B Capital Investment authority requirements for 2002/03.

Capital Investment, 2002/03

(Thousands of Dollars)

Government Services Capital Projects	13,600
Transportation Equipment and Other Capital	11,100
Information Technology Projects	
Better Systems Initiative	18,300
Health	4,500
Family Services and Housing	2,000
Justice	1,400
Finance	1,120
Consumer and Corporate Affairs	980
Other Departments	3,550
Other Equipment and Buildings	1,450
	58,000

■ Capital Grants, Infrastructure and Capital Investment

Total spending for capital purposes is comprised of spending on capital grants and infrastructure from Part A of the Estimates of Expenditure, and Capital Investment spending from Part B of the Estimates of Expenditure.

Total spending for capital purposes is outlined in the following table.

Capital Grants, Infrastructure and Capital Investment, 2002/03

(Thousands of Dollars)

Capital Grants (Part A)	210,938
Infrastructure (Part A)	170,087
Capital Investment (Part B)	58,000
	439,025

■ Loan Act Requirements

The following table reflects expenditure authority to be included in *The Loan Act, 2002.*

Incremental Capital Authority Requirements for Non-Budgetary Programs, 2002/03

(Thousands of Dollars)

The Loan Act, 2002

The Manitoba Hydro-Electric Board	309,000
Manitoba Health	161,500
The Manitoba Agricultural Credit Corporation	135,900
Manitoba Industrial Opportunities Program	66,500
Manitoba Housing and Renewal Corporation	55,500
Manitoba Lotteries Corporation	39,200
Manitoba Lotteries Corporation	
First Nations Casino Development	29,000
Red River College	20,000
Red River Floodway Renewal and Expansion	20,000
Manitoba Student Financial Assistance Program	11,730
Special Operating Agencies Financing Authority	
Fleet Vehicles Agency	6,250
Food Development Centre	3,800
Communities Economic Development Fund	3,700
Rural Economic Development Initiatives	830
Venture Manitoba Tours Ltd.	700
International Education	250
	863,860

Non-Budgetary Capital Program, 2002/03

(Thousands of Dollars)

The Manitoba Hydro-Electric Board	390,500
Manitoba Health	212,393
The Manitoba Agricultural Credit Corporation	145,700
Manitoba Industrial Opportunities Program	94,500
Manitoba Housing and Renewal Corporation	60,695
Manitoba Lotteries Corporation	52,800
Manitoba Student Financial Assistance Program	30,000
The Manitoba Water Services Board	27,634
Red River College	20,000
Red River Floodway Renewal and Expansion	20,000
Manitoba Lotteries Corporation	
First Nations Casino Development	12,000
Special Operating Agencies Financing Authority	
Fleet Vehicles Agency	10,351
Communities Economic Development Fund	9,700
Community Development Bonds	6,000
Miscellaneous Corporations, Agencies and Other Programs	15,489
	1,107,762

■ Borrowing Requirements

Manitoba's borrowing requirements for both general and self-sustaining purposes, including the guaranteed debt of Crown corporations, will total $2.3 billion in 2002/03. A total of $1.7 billion is required for the refunding of general purpose and self-sustaining debt. The remainder is required for self-sustaining programs, including Manitoba Hydro. Incremental capital authority requirements totalling $864 million are provided by *The Loan Act, 2002.*

Borrowing Requirements

(Thousands of Dollars)

	Estimated Unfunded as at	Refunding	New Cash Requirements	Estimated Repayments & Non Cash Items	Borrowing Requirements
	March 31/02	2002/03	2002/03	2002/03	2002/03
Refunding General Government Program Debt	–	1,374,690	–	75,000	1,299,690
Capital Investments	(27,000)	–	27,000	–	–
The Manitoba Hydro-Electric Board	180,000	282,956	309,000	–	771,956
Manitoba Hospital Facilities	–	67,559	–	28,989	38,570
The Manitoba Agricultural Credit Corporation	–	–	75,000	56,500	18,500
Business Support Programs	(20,000)	–	75,000	25,000	30,000
Manitoba Housing and Renewal Corporation	–	–	60,695	60,695	–
Student Financial Assistance Program	–	–	30,000	25,000	5,000
Manitoba Lotteries Corporation	–	–	47,200	–	47,200
Red River College	–	–	20,000	–	20,000
Red River Floodway Renewal and Expansion			20,000	–	20,000
The Manitoba Water Services Board	–	–	14,416	10,000	4,416
Communities Economic Development Fund	–	–	9,450	9,450	–
Fleet Vehicles Agency	–	–	6,850	2,000	4,850
Miscellaneous	–	–	5,629	5,629	–
	133,000	1,725,205	700,240	298,263	2,260,182

Statement of Valuation and Purpose of Direct and Guaranteed Debt Outstanding

(Thousands of Dollars) *Preliminary Unaudited*

As at March 31, 2002 (with comparative figures for March 31, 2001)

Canadian Dollar Equivalent at Date of Issue March 31/02	Canadian Dollar Equivalent at Date of Issue March 31/01	Increase/ (Decrease) March 31/02 over March 31/01		Canadian Dollar Valuation (Note 1) March 31/02	Canadian Dollar Valuation (Note 1) March 31/01	Increase/ (Decrease) March 31/02 over March 31/01
			Direct Debt Payable in:			
11,835,290	11,576,012	259,278	Canadian Dollars	11,807,490	11,548,212	259,278
			Issues Swapped			
2,962,401	2,489,533	472,868	to Canadian Dollars	3,221,628	2,624,374	597,254
3,055,916	3,656,931	(601,015)	U.S. Dollars	3,734,566	4,765,523	(1,030,957)
			Issues Swapped			
1,403,111	881,092	522,019	to U.S. Dollars	1,555,051	1,015,640	539,411
19,256,718	18,603,568	653,150	Total Direct Debt	20,318,735	19,953,749	364,986
			Guaranteed Debt Payable in:			
596,698	416,102	180,596	Canadian Dollars	596,698	416,102	180,596
0	0	0	U.S. Dollars	0	0	0
596,698	416,102	180,596	Total Guaranteed Debt	596,698	416,102	180,596
19,853,416	19,019,670	833,746	**Total Direct and Guaranteed Debt** (Note 2)	20,915,433	20,369,851	545,582
6,410,572	6,138,654	271,918	Less: Sinking Fund Investments	6,410,572	6,138,654	271,918
100,083	75,227	24,856	Less: Debt Retirement Fund	100,083	75,227	24,856
13,342,761	12,805,789	536,972	**Net Direct and Guaranteed Debt** (Note 3)	14,404,778	14,155,970	248,808

Note 1: The Canadian Dollar Valuation is calculated using the foreign currency exchange rates in effect at March 28, 2002 and March 31, 2001.

Note 2: Direct and Guaranteed Debt are payable in Canadian and U.S. dollars. As at March 31, 2002, total gross debt was payable 75% in Canadian dollars and 25% in U.S. dollars. Of this total, General Purpose Debt and Other Debt was payable 94% in Canadian dollars (87% at March 31, 2001) and 6% in U.S. dollars (13% at March 31, 2001), while Manitoba Hydro was payable 42% in Canadian dollars (47% at March 31, 2001) and 58% in U.S. dollars (53% at March 31, 2001).

Note 3: The above debt was issued for the following purposes:

	March 31, 2002 ($ Thousands)	March 31, 2002 ($ Per Capita) (Note 4)	March 31, 2001 ($ Thousands)	March 31, 2001 ($ Per Capita) (Note 4)
General Government Programs	6,406,474	5,575	6,537,300	5,693
The Manitoba Hydro-Electric Board	6,263,612	5,451	6,052,524	5,271
Capital Investments	244,900	213	260,390	227
Manitoba Hospital Facilities	390,000	339	220,000	192
Other	1,099,792	957	1,085,756	946
	14,404,778 (Note 5)	12,535	14,155,970	12,329

Note 4: Per capita data is based upon population figures at January 1, 2002 and April 1, 2001 as reported by Statistics Canada.

Note 5: General Government Program Debt decreased by $130 million primarily by the deposit to the Debt Retirement Fund and non-cash budgetary items. All other debt increased $379 million due to the continued consolidation of Hospital Facilities debt on to the Province's records, combined with the refinancing of Centra Gas debt at a saving to Manitoba Hydro, and the impact of a weaker Canadian dollar.

Direct and Guaranteed Debt

Net Maturities to March 31, 2042

	Canadian Valuation Payable in		
	Canadian Dollars	U.S. Dollars	Net Maturities
		(Millions of Dollars)	
2002/03	1,633	24	1,657
2003/04	1,347	178	1,525
2004/05	1,115	77	1,192
2005/06	683	322	1,005
2006/07	1,454	–	1,454
2007/08	401	–	401
2008/09	852	308	1,160
2010 - 14	1,251	1,008	2,259
2015 - 19	602	637	1,239
2020 - 24	67	592	659
2025 - 42	1,349	–	1,349
Treasury Bills and Promissory Notes	505	–	505
Total	11,259	3,146	14,405

The above table is based on foreign exchange rates in existence on March 28, 2002.

Appendix:
Effect on Manitoba of the Federal Accounting Error

Description of the Accounting Error

Under federal-provincial tax collection agreements, the federal government administers personal income taxes on behalf of all provinces other than Québec. It has responsibility for the collection of provincial income taxes and for paying the amounts owed to provincial governments. The federal government makes interim payments to provinces during the taxation year, based on an estimate of the total amount of provincial income taxes that will ultimately be assessed on tax returns in each province. After the income tax returns for the tax year have been filed and processed, the taxes actually assessed in the province are reconciled with the interim payments. If the interim payments were too high, the difference is paid by the province to Canada or, if they were too low, by Canada to the province.

Each year, the federal Auditor General attests to the statements prepared by the federal government, and the Provincial Auditor confirms amounts paid. In the case of mutual fund trusts, however, refunds of provincial tax assessed on capital gains were never accounted for in the federal reconciliation calculation. On January 29, 2002, the federal government disclosed this longstanding error to provinces.

Provinces rely entirely on federal payment reporting and accounting processes. Until very recently, provinces were not given any information on mutual fund trust returns. Only after the federal disclosure has some of the data provincial governments receive differentiated between mutual fund and other trust returns.

The Error's Effects on Manitoba's Income Tax Revenue

Manitoba is fortunate to have a large and robust financial service sector, but this means the federal error has had a relatively greater effect on personal income taxes in Manitoba than in any other province. The effect in Ontario is the largest in absolute terms, and second-largest in relation to its total income tax revenue. (This has important implications for transfer payment entitlements, which are discussed later.) Mutual fund trust refunds in other provinces are much smaller and, as a result, they affect those provinces' income tax revenues to a much smaller degree.

Mutual Fund Trust Capital Gains Tax Refunds

	1993-1999
	(Millions of Dollars)
Ontario	2,803
Manitoba	408
Other Provinces	125
Total	**3,336**

Source: Canada Customs and Revenue Agency data, March 5, 2002

For the tax years 1993 through 1999, the federal government estimates that capital gains tax refunds claimed by mutual fund trusts nationally totaled about $3.3 billion, with about 90% of the total attributable to the 1997, 1998 and 1999 tax years. The federal government is still reviewing records for the 1993 to 1999 period, as well as prior periods, before taking a position on whether to do anything about its accounting error. For the 2000 tax year, a significant amount ($168 million) was refunded with respect to Manitoba-based mutual fund trusts, and on March 28, 2002, the federal government recovered from Manitoba the $168 million related to 2000 tax year mutual fund trust capital gains tax refunds.

The Error's Effects on Manitoba's Transfer Payments

The overall impact of the federal accounting error has significantly wider implications for three principal reasons:

- higher income tax remittances were made from the federal government, mainly to Manitoba and Ontario;
- lower Equalization payments were received by Manitoba, and lower Canada Health and Social Transfer (CHST) payments by Ontario; and
- higher Equalization and CHST payments were made to other provinces.

Also, as a result of the federal accounting error, provinces have based their budgets on an artificially inflated revenue track. Current Equalization regulations do not correctly address the effects of the error in respect of mutual fund trusts. In fact, they exacerbate the problem by failing to recognize the impacts of the refunds on Manitoba's fiscal capacity under the Personal Income Tax calculation.

This same Equalization issue previously arose in the late 1980s concerning corporation income taxes. In this case, the refunds were properly netted from the income tax payments remitted to provinces. However, Corporation Income Tax shares were skewed, and entitlements within the Equalization Program were distorted, because taxes on capital gains of mutual fund trust corporations were being included in provinces' tax bases, even though the taxes were also refunded to the companies.

The federal government took swift, corrective action by amending the Equalization regulations. This regulation change was made immediately and retroactively for all "open" years of the Program. The calculation now removes the effect of capital gains tax refunds claimed by mutual fund corporations from the calculation of provinces' Corporation Income Tax base. At the time, the federal Minister of Finance, the Honourable Michael Wilson, noted that failure to act would have created an "unjustifiable anomaly" in the Equalization Program (see Exhibit C). A parallel correction to the Equalization regulations on measurement of fiscal capacity with respect to the same type of refunds of Personal Income Tax is needed to prevent a similar "unjustifiable anomaly" at this time.

There are also effects on CHST payments, which may be quite significant for Ontario. The impact on CHST for Manitoba is not significant.

The fiscal effect of the accounting error on Manitoba and other provinces, with Equalization corrected for the unjustifiable anomaly, is estimated in the following table.

Net Effect of the Federal Accounting Error

	Manitoba	All Other Provinces	National Total
		(Millions of Dollars)	
1993-1999 Tax Years *(1993/94 to 1999/2000 Fiscal Years)*			
Personal Income Tax paid related to Mutual Fund Trust Refunds	408	2,928	3,336
Effect on Equalization	(261)	1,052	791
Net Effect (1993/94-1999/2000)	147	3,980	4,127
Net Effect ($ Per Capita)	**129**	**140**	**139**
2000 Tax Year *(2000/01 Fiscal Year)*			
Personal Income Tax paid related to Mutual Fund Trust Refunds*	0	0	0
Effect on Equalization	(140)	140	0
Net Effect (2000/01)	(140)	140	0
Net Effect ($ Per Capita)	**(123)**	**5**	**0**
Net Effect 1993/94-2000/01	**7**	**4,120**	**4,127**
Net Effect 1993/94-2000/01 ($ Per Capita)	**6**	**145**	**139**

* The amount recovered from Manitoba on March 28, 2002 was $168 million.

As the table shows, during the period 1993 through 1999, the additional Personal Income Tax revenue related to mutual fund trust refunds was, for Manitoba, offset to a large extent by lower Equalization payments. This is because the Equalization Program is designed to incorporate all revenue sources in determining a province's fiscal capacity, and the extra revenue provided to Manitoba as a result of the accounting error artificially overstated the calculation of Manitoba's fiscal capacity. This reduced Manitoba's Equalization entitlements. It may be noted that so long as the error persisted and provinces actually received the associated revenue, this was the correct treatment.

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Effect on Equalization	(140)	140	0
Net Effect (2000/01)	(140)	140	0
Net Effect ($ Per Capita)	**(123)**	**5**	**0**
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The table also shows that other Equalization recipient provinces benefited – through the Equalization Program – from the federal accounting error. The Personal Income Tax revenue received by non-recipient provinces, such as Ontario and British Columbia, was not offset by Equalization reductions, but did adversely affect their CHST payments. The net result was that, even before the recent federal recovery of income tax for the 2000 tax year, Manitoba's net benefit resulting from the federal error was less, on a per capita basis, than that received by other provinces. The fact that the capital gains tax refunds attributable to the 2000 tax year have already been recovered, while Equalization entitlements have not yet been adjusted to reflect these refunds, means that Manitoba is experiencing both lower income tax revenue and the compounding effects of an "unjustifiable anomaly" which lowers Equalization entitlements.

The recovery of the $168 million at the end of the fiscal year has resulted in considerable stress to Manitoba's financial situation, pending federal remedial action. Recently, the federal government acted to protect other provinces from fiscal shocks of relatively smaller magnitude, while outstanding issues were resolved.

In addition, the recovery has resulted in a situation which, if left uncorrected, would result in unfair treatment to Manitoba. This is particularly pronounced for the 2000 tax year, for which it is estimated that, without correction, other provinces benefited from the net effect of the federal error, while Manitoba lost a total of $123 per capita.

Principles for Resolving this Issue

On February 7, 2002, Honourable Greg Selinger tabled with Honourable Paul Martin three principles that Manitoba views as essential in guiding the resolution process:

- the settlement should be comprehensive and fair;
- the approach should be responsible; and
- revenue stability must be addressed.

These were detailed in Manitoba's position paper, and reiterated in a letter dated March 22, 2002 (Exhibit A). Manitoba's paper, appended as Exhibits B-D, includes correspondence and analysis related to the earlier decision on Equalization calculations with respect to mutual fund trusts in the Corporation Income Tax base.

Discussions to date with Ottawa suggest that the federal government will act in keeping with the established precedent for rectifying this type of error. The position has been discussed with and is understood by the federal government, and we have been assured that these principles will be reflected in the resolution of the issue.

Accounting for the Federal Error in Manitoba's Budget and Financial Statements

The assumptions underlying the results for 2001/02 and the revenue forecast in the 2002 Budget are cautious and prudent. The revenue estimates in the 2002 Budget, as well as the 2001/02 preliminary results, assume that Manitoba will not be made worse off for the 2000/01 and subsequent years than if the federal error had never occurred. This requires recognition that the current measurement of fiscal capacity for 2000/01 in the Equalization Program is overstated, and that the recovery of refunds for the 2000 tax year has already occurred.

Manitoba also expects that the federal government will treat Manitoba equitably, and provide Manitoba with transitional relief similar to what it gives to other provinces. Such arrangements could take many forms. The revenue estimates presented at this time, however, do not assume any amounts for transition.

2002 Income Tax and 2002/03 Transfer Payments: Advance income tax payments from the federal government are lower, in part, due to the correction of the error. The estimates of federal transfers assume a correction will be made to the Equalization regulations to ensure that estimates of Manitoba's fiscal capacity will not include any element associated with capital gains tax refunds. This is consistent with the "unjustifiable anomaly" precedent. A compensation payment, made in recognition of the effects of the tax recovery for the 2000 tax year, and the lack of adjustment to the Equalization entitlement calculations for the 2000/01 fiscal year, and their subsequent effects on Manitoba's revenue, is also assumed.

2001 Income Tax and 2001/02 Transfer Payments: It is assumed that the federal government will recover an amount reflecting 2001 mutual trust fund capital gains tax refunds assessed in 2002. Three-quarters of this amount is attributable to the 2001/02 fiscal year. It is assumed that the Equalization Program entitlements for the 2001/02 fiscal year will be adjusted through a change to regulations to remove the unjustifiable anomaly. This should impact entitlements when new official estimates are released later this year.

2000 Income Tax: The final determination of Manitoba 2000 income tax revenue identified $168 million in refunds to mutual fund trusts. Consistent with generally accepted accounting principles and with established precedent and following discussions with the Provincial Auditor, this amount, along with one-quarter of the amount estimated for the 2001 tax year will be added to the accumulated deficit pertaining to prior fiscal years. A multi-year adjustment was treated in this manner in 1992/93, when a change in federal methodology for determining the population numbers used for calculating transfer payments required the Province to repay the federal government for overpayments resulting from the previous methodology. The $100 million that pertained to prior years was recorded as an increase to the accumulated deficit.

1999 and Earlier Years: The federal government has not stated how it intends to proceed with respect to these taxation years. A decision on the appropriate recording of any liabilities related to these years will be made after the Province has a clearer understanding of federal intentions.

Exhibit A:

MINISTER OF
FINANCE

Legislative Building
Winnipeg, Manitoba, CANADA
R3C 0V8

MAR 2 2 2002

The Honourable Paul Martin
Minister of Finance
Government of Canada
L'Esplanade Laurier, East Tower
140 O'Connor Street
Ottawa ON K1A 0G5

Dear Minister:

I am taking this opportunity to review outstanding issues with respect to the federal error in income tax remittances to provinces and the related effects on Equalization payments.

The error has created a large revenue shortfall and generated considerable instability with respect to Manitoba Personal Income Tax revenues. In my Budget, I will have to report to the people of Manitoba on the status of our discussions with the federal government.

At our meeting on February 7, 2002, we began the process of developing an appropriate settlement to this problem. At that time, I indicated the broad framework for a fair settlement should be based on the principles of comprehensiveness, responsibility and stability. In the view of the Manitoba Government, that framework must include the following elements.

- A comprehensive settlement which includes both the income tax and transfer effects of the error on provincial revenues.
- Recognition that Equalization payments were impacted negatively for Manitoba, and positively for the other recipient provinces, whenever overpayments of income taxes were made.
- Equitable treatment for Manitoba when compared with other provinces. After Equalization effects of the federal error are taken into account, Manitoba received

similar revenues per capita to those received by other Equalization-recipient provinces.

- Recognition that we cannot adjust expenditure or taxation retroactively and that, for the most part, decisions with respect to 2002 were made before the error became known.

Though we have not met again as planned, our officials have had some discussions since February 7. We understand that some work has been undertaken and some options have been considered. I am disappointed, therefore, that your department is proceeding with the recovery of $168 million with respect to mutual fund trust refunds pertaining to the 2000 tax year before you have confirmed a comprehensive solution to the federal error. The latest official estimate of Equalization entitlements has not corrected the Equalization calculation for Manitoba. In effect, your government is recovering substantially more than Manitoba owes. This is in stark contrast with the quick federal action taken this month to defer recoveries on certain Equalization issues impacting other provinces.

As we discussed, a comprehensive solution must include the substantial Equalization offsets our Province is entitled to receive when our fiscal capacity is reduced by correction of the income tax error. I, along with all Manitobans, expect that after a comprehensive solution is in place, Manitoba and all provinces will be treated equitably.

In conclusion, while we recognize the complexities of the issue, they are not insurmountable. I would reiterate my offer to work with you and your department to arrive at a resolution that is fair and reasonable for every government affected by this regrettable development.

Sincerely yours,

Greg Selinger
Minister of Finance

Exhibit B: Manitoba's Position Paper Tabled with Honourable Paul Martin

Mutual Fund Trusts: Meeting between
Honourable Greg Selinger and Honourable Paul Martin
February 7, 2002
Ottawa

CORRECTING PROBLEMS RESULTING FROM ERRORS IN THE TREATMENT OF MUTUAL FUND TRUST ASSESSMENTS

BACKGROUND

1. PRINCIPLES TO GUIDE THE RESOLUTION PROCESS

- Manitoba believes that the resolution of the payment errors should be based on three principles:

  A. The settlement should be comprehensive and fair;
  B. The approach should be responsible; and
  C. Revenue stability must be improved.

A. Comprehensive and Fair

- The impact of the error in the treatment of mutual fund trust assessments goes well beyond the overpayment of Personal Income Tax revenue.

- This error has had significant effects on Equalization and CHST payments. It has systematically reduced transfer payments to Manitoba and Ontario while entitlements for other Equalization recipient provinces were higher than they would have been had the error not been made.

- So far, these effects have not been correctly factored into the federal analysis of the magnitude of the error and its impact on provinces.

- The resolution to these problems must be comprehensive—covering Personal Income Tax, Equalization and the CHST—and it must be fair to all parties. Provinces must have confidence that the assessment data is complete and accurate. Adjustments to income tax revenue must be reflected consistently in both the revenues to be equalized *and* in each province's share of the tax base.

- For each year that the federal government corrects the income tax error, Equalization and CHST entitlements must also be corrected.

- In a virtually exact precedent from the late 1980s, the federal government of the day corrected a similar problem in equalization calculations for capital gains of mutual fund corporations (as discussed later in this note).

Mutual Fund Trusts: Meeting between
Honourable Greg Selinger and Honourable Paul Martin
February 7, 2002
Ottawa

B. A Responsible Approach

- We acknowledge that the federal government has been forthright in taking responsibility for this error. The federal government prepared provincial tax legislation, and designed the tax forms and the collection and payment mechanics. Provinces relied on the federal government for all the information and reports.

- Once all the potential adjustments under the federal calculation methodology have been added together, it is evident that the effect on Manitoba's finances and public services would be enormous. Current estimates of these effects—using Finance Canada estimates of Equalization impacts—could be $600 million for Manitoba, or even more after accounting for 2001 and 2002 results.

- By making the appropriate and parallel adjustment to entitlements under transfer payment arrangements, the damage to Manitoba would be greatly reduced. When Equalization entitlements are calculated using income tax shares correctly adjusted for the disproportionate effect of the error on Manitoba, the financial damage to Manitoba is reduced by approximately 65% to 70%.

- Even so, the potential revenue loss to Manitoba remains very large. Any repayment arrangement would have to be reasonable and affordable.

- Removing the federal error from provincial revenue bases going forward also requires significant adjustments. A responsible resolution must recognize that while all provinces will have less revenue, Manitoba's loss—even after it is calculated correctly—is by far the largest in relation to its budget. Fair resolution requires some form of transitional support. The unanticipated improvement in the federal fiscal position from correcting the error provides some capacity to provide transition. The transitional assistance provided to provinces that harmonized with the GST might serve as a useful model for structuring assistance.

- It is important that Canadian health, education and other social programs be sustained. A responsible solution must consider the effects on programs delivered by provinces, and any solution should extend beyond the simple recovery of income tax and transfer revenue.

C. Stability of Provincial Revenue

- For several years, Manitoba has expressed concern about the instability of federal estimates of income tax and transfer revenue. This payment error heightens and adds to this concern.

- The Province of Manitoba established a Fiscal Stabilization Fund, which is designed and needed to see our Province through economic slow-downs, such as that occurring presently. It is not sufficient to address huge errors in federal payments estimates.

- Fiscal stabilization, with appropriate roles for federal and provincial governments, must be considered.

2. APPROPRIATELY ADJUSTING EQUALIZATION: A CLEAR PRECEDENT

- Although the magnitude of the present payments error is unprecedented, a closely parallel issue arose in the late 1980s. In that case, corporate income tax shares were skewed, and entitlements within the Equalization program were distorted, because taxes on capital gains of mutual fund companies were being included in the tax base, even though the taxes were normally refunded to the companies.

- When it was discovered that the capital gains tax refunds of these corporations were not reflected in the calculation of the corporate income tax base for Equalization purposes, Manitoba raised the issue with then federal Finance Minister Michael Wilson. After due deliberation, the Equalization regulations were changed to ensure that refunds were excluded from the base for calculation of Equalization. As noted in Minister Wilson's letter to the Manitoba Minister, not to do so would have resulted in "an unjustifiable anomaly in the equalization program".

- It should be noted that Mr. Wilson did not wait for the subsequent renewal of the Equalization Program, but implemented the change immediately and for all the years for which entitlements were not finalized.

- Whether occurring in the corporate or the personal income tax sector, the principle is identical. Refunds must be excluded from the base of calculations to properly measure a province's revenue raising capacity. For any year in which recoveries are made for capital gains tax refunds to mutual fund trusts, the Equalization base must also be adjusted. As noted before, in the case of Manitoba, this parallel adjustment offsets 65% to 70% of any income tax recoveries, depending on Manitoba's share of the total during a given year.

- Correspondence and analysis related to the decision on corporate income taxes is attached as Appendix A, together with some of the calculation detail. The appropriate adjustment for mutual fund trust refunds is still made in the calculation of Equalization with respect to corporate income taxes.

3. TIMELINESS OF THE RESOLUTION

- Manitoba wishes to work with the federal government to achieve an expeditious and fair resolution to this unfortunate error. We need stability with respect to our finances and cannot carry the uncertainty of a potential liability on our books into the future.

- The federal government must develop and consider its options and consult with provinces on the most appropriate course. However, this should not become a drawn-out process. It should be possible to develop the outline of the proposed resolution for inclusion in provinces' spring Budgets, with final resolution before provinces close their books for the 2001/02 fiscal year.

Mutual Fund Trusts: Meeting between
Honourable Greg Selinger and Honourable Paul Martin
February 7, 2002
Ottawa

SUMMARY

- Manitoba proposes that the solution to the problems arising from this error should be based on the principles of comprehensiveness and fairness, responsible action, and concern for fiscal stability.

- The full facts must be known, and the full effects of the decisions on transfer payments must be factored in. Any correction to tax payments for previous years must result in parallel corrections to transfer payments in order to provide equitable treatment and assure the integrity of these programs.

- The potential impact on Manitoba's fiscal situation is very large, ranging upward of $435 million for 1993 through 1999, with a further $201 million for 2000 and yet to be quantified amounts for subsequent years. Our concerns would be substantially mitigated by appropriate treatment of mutual fund trust refunds within the Equalization program and the CHST. The precedent with respect to the exclusion of mutual fund trust refunds in the corporate income tax base should be followed and applied to refunds in the personal income tax calculations. This should be done for all years for which income tax payments are corrected.

- Any repayments should be over a reasonable time frame consistent with the fact the problem occurred over several years.

- Transitional support to help the Province adjust to the new fiscal track could possibly be along lines similar to that offered provinces which harmonized with the GST.

Exhibit C:

Minister of Finance — Ministre des Finances

CANADA

FEB - 8 1990

The Honourable Clayton Manness, M.L.A.
Minister of Finance
Province of Manitoba
Room 103 - Legislative Building
450 Broadway Avenue
Winnipeg, Manitoba
R3C 0V8

Mr. Minister:

I am writing concerning your request for a change in the tax base that is currently used to equalize provincial revenues from the corporation income tax, with particular reference to the treatment of capital gain refunds to mutual fund corporations. This is an issue which has been raised on a number of occasions - most recently by your letter to me of December 5, 1989.

I have now had an opportunity to consider this issue following a review by officials. I agree that the current treatment of the capital gain refunds constitutes an unjustifiable anomaly in the equalization program and have decided to proceed with the technical change necessary to correct the situation. This will require amendment of the Regulations and the necessary steps are being taken to do this as quickly as possible.

I realize that it has taken a long time to resolve this matter but it has raised a number of issues of a complex nature which have had to be taken into account.

Yours sincerely,

Michael H. Wilson

Ottawa, Canada K1A 0G5

Clayton Manness

c.c. C.E. Curtis

Exhibit D:

Manitoba

Minister of Finance

January 17, 1989

Honourable Michael Wilson
Minister of Finance
Government of Canada
Place Bell Canada
160 Elgin Street
OTTAWA, Ontario
K1A 0G5

Dear Mr. Wilson:

A technical issue has been brought to my attention concerning the calculation of equalization entitlements with respect to corporate income tax. Specifically, because corporate capital gains refunds accorded mutual fund trusts upon payment of capital gains dividends do not result in corresponding adjustment to corporate taxable income data, the provincial corporate income tax bases for equalization purposes are overstated by varying amounts, dependent on the total of refunds applicable to a given province in any fiscal year.

Manitoba has witnessed a sharp increase in such refunds since 1985, to a point where our corporate taxable income in 1987 is overstated by about 8%. Recently, federal officials provided us with data which allows us to analyze this situation and estimate the effects on equalization entitlements.

Analysis shows that the overstatement of corporate taxable income results in the federal government paying larger equalization entitlements in total, while Manitoba in fact receives substantially less equalization than if the corporate income tax bases were appropriately adjusted to remove from corporate taxable income the amount pertaining to the refunds — on which no corporate income tax has ultimately been paid.

This result is obviously technically unsound, unfair to Manitoba, and costly to the federal Treasury. The situation should be remedied immediately.

I would ask that you investigate this issue with your officials who, I understand, are familiar with the detail and with Manitoba's concern. It might also be appropriate for us to discuss this issue together. Specifically, I would propose a bilateral meeting, with our officials present, to be held sometime during the next few weeks. It is an important issue for Manitoba (involving an estimated $40 million over a five year period), and one which should be resolved expeditiously and most certainly prior to the further finalization of any equalization entitlement calculations.

I look forward to your early response. My office would be pleased to arrange a mutually convenient date and place for the meeting I have proposed.

Sincerely,

ORIGINAL SIGNED BY
Clayton Manness

Clayton Manness

c.c. C.E. Curtis

Budget Paper C

FINANCING HEALTH CARE

FINANCING HEALTH CARE

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FINANCING HEALTH CARE

Prepared as the basis for the March 6, 2002 presentation by the Honourable Greg Selinger to the Commission on the Future of Health Care in Canada.

The question of the sustainability of our health care system has been a major concern of Finance Ministers and their departments for the better part of the last ten years. It is well understood that our country's ability to meet the health care needs of our citizens hinges on good science, good public policy and a collective commitment to provide the resources needed to do the job.

From a financial perspective, the issue of sustainability of Canada's Medicare system is inextricably linked to the future of the fiscal arrangements that underpin the Canadian federation. Throughout Canada's history, imbalances between the federal and provincial orders of government, in terms of financial resources and service responsibilities, have been addressed in varying degrees through transfer mechanisms like the Canada Health and Social Transfer (CHST) and the Equalization Program. The sustainability of health and other social programs hinges on an effective resolution to the fiscal imbalances that exist between the federal government and provinces, as well as those among provinces. Public opinion polls, including federal Finance's pre-budget survey, have determined health care to be the number one priority of Canadians. While provincial governments have responded, there is lack of palpable evidence that the federal government accords it the same high priority.

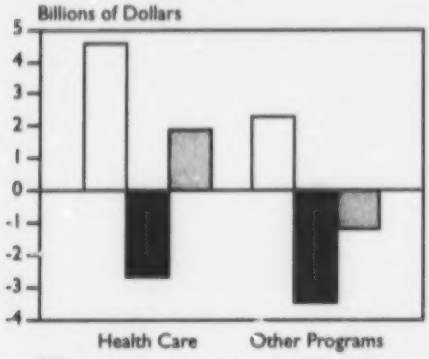
The sustainability of health and other social programs hinges on an effective resolution to the fiscal imbalances that exist between the federal government and provinces, as well as those among provinces.

■ Developments in Health Care Expenditure and Financing

In Manitoba, health care is both our largest and fastest growing program. It accounts for 40% of our Budget, up from less than 33% at the beginning of the 1990s. A similar increase in health's proportion of budgets has occurred in all provinces and territories. This dramatic shift reflects the sharp increase in health care expenditure made in

Chart 1

Net Change in Program Spending by Source of Funding 1994/95 to 1997/98



Sources: Federal and Provincial/Territorial Public Accounts and Manitoba Finance

THE HIDDEN IMPACT ON SOCIAL SERVICES

The $6.2 billion cut in funding in CHST overshadowed another important development. The elimination of the 50:50 sharing of eligible costs under the Canada Assistance Plan (CAP) had a negative direct effect on social service program funding. Indirectly, it affected health care as well, since social services provide early intervention and keep social problems from developing into health problems. The loss of CAP also shifted the financial risk associated with a cyclical economic downturn off the federal government onto the backs of provinces.

response to public concerns that access to, and quality of, care were deteriorating.

While a good part of the shift reflects a conscious decision on the part of provinces to re-invest in health care, much of it can be attributed to the $6.2 billion cut in federal funding for health and other social programs associated with the introduction of the CHST. The roughly one-third cut in CHST funding meant that provinces had to devote considerable resources just to try to backfill for the revenue shortfall.

Between 1994/95 and 1997/98, despite the federal government's contribution falling by an estimated $2.7 billion, overall provincial health care spending increased by just over $1.9 billion. To achieve this, provinces had to spend an additional $4.6 billion of their own resources on health care (see Chart 1).

At the same time, the federal government's contribution to other social programs fell by an estimated $3.5 billion. However, total spending in other program areas declined by only $1.2 billion, despite the provinces increasing spending in these areas by $2.3 billion. In this case, it was not enough to completely backfill for the federal cuts.

It is clear that rising demand for health care has been met, to some degree, at the expense of needs in other areas, such as education, justice, social services, infrastructure and economic development. Because the activities supported by these programs constitute the base upon which we sustain our health care system, this "crowding out" is not a viable long-term option.

Given underlying cost pressures in health care and the implications of demographic trends on both expenditure and revenue, this share could rise to 50% or more of our Provincial Budget as the baby boom generation makes the transition from work to retirement. Extrapolation of cost trends suggests we would reach this point in about 15 years, or even sooner under other slightly less favourable

circumstances (see Chart 2). While we do not regard these projections as inevitable, they serve to benchmark the challenge that we face.

In and of itself, there is nothing magic about the 50% share, and if we were to come to that point as a result of falling debt servicing costs or reduced need in other areas, that would not be a problem. However, a decrease in the demand for resources in other core areas is not anticipated, and we will face real difficulties as government seeks to maintain a balanced perspective on the very legitimate needs in these other program areas.

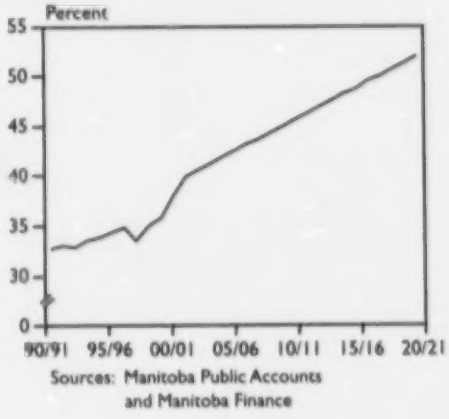
Cost pressures on the health care system and the competing demands for other public services form the basis of our concern for sustainability in the medium and longer term. However, we face a sustainability issue that is much more immediate.

The strength and duration of the recent economic expansion helped underwrite our efforts to restore public confidence in the health care system over the past several years. However, since the events of September 11, 2001, forecasts for economic growth, in general, and government revenues, in particular, have moderated. As a consequence, provincial revenue growth has slowed, while cost pressures have continued unabated. The measures being announced by provinces to meet this large and immediate cash crunch reflect the difficult choices all provinces are facing.

It is apparent that the federal government still has considerable fiscal leeway even though similar factors influence its revenue growth. Despite the increases announced for security and defence, it is expected to post a positive budgetary balance in 2001/02. Indeed, according to the January Federal Fiscal Monitor, the federal surplus stands at just over $11.5 billion. At the same time, provinces, which collectively had just begun to post surpluses for the first time in decades, are now facing deficits or significant draws from stabilization funds or reserves.

Chart 2

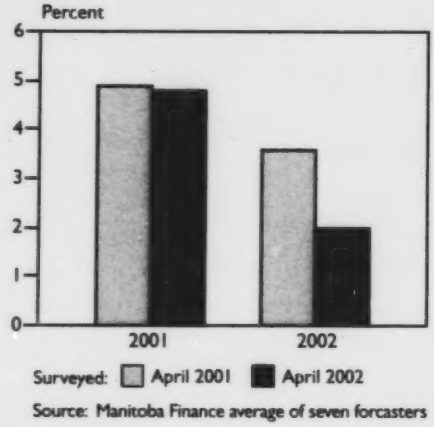
Health Spending as a Share of Manitoba's Budget, Baseline Projection to 2020/21



Sources: Manitoba Public Accounts and Manitoba Finance

Chart 3

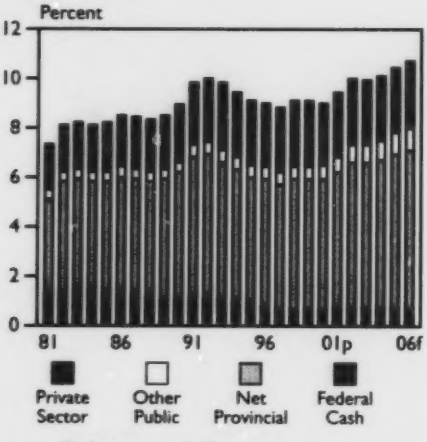
Gross Domestic Product Forecasts, Canada



Source: Manitoba Finance average of seven forcasters

Chart 4

Health Expenditure as a Percentage of GDP, by Component



Sources: Canadian Institute for Health Information, Conference Board of Canada and Manitoba Finance

The recent round of economic projections from independent private sector forecasters reflects slower near-term growth prospects for Canada (see Chart 3). The strength of the recovery will largely be determined by growth in international trade, particularly with the U.S. The current challenge is to ensure that the transborder flow of goods and services is not unduly constrained by increased security costs and provisions.

Manitoba's economic growth over the past decade reflects the increased importance of international trade. While Manitoba's economy grew by 40% between 1990 and 2000, exports grew by 88%, to $19.5 billion. Indeed, the annual dollar values of exports and imports now match or exceed personal consumption in Manitoba. This increase in export growth over the 1990s has made a substantial contribution to the strong employment performance posted by the province, the reduction in the unemployment rate, and stable population growth. Strong provincial revenue growth associated with our export performance has contributed to our ability to fund health care and education, along with other social and economic development programs.

It has been observed that, as a percentage of national GDP, health spending has been fairly constant over the past several years at just over 9%, and below its 1992 peak of about 10% (see Chart 4). However, the current economic slowdown and more moderate growth prospects for the medium term, suggest that by next year we could see health expenditure as a percentage of GDP rise to 10%, and set new high-water marks over the next several years.

Total spending on health care as a percentage of GDP is often used in international comparisons. However, it is probably not the best measure when considering the issue at the provincial level – the level at which actual decisions on program spending take place. Health spending as a percentage of GDP varies substantially across provinces. As well, GDP provides only a crude approximation of a province's

fiscal capacity, and does not provide insight into the tax burden required to sustain the public services it provides, nor does it take into account the effects of federal transfers. From a practical perspective, the debate needs to focus on provincial revenue – the actual dollars that are available to fund the health care program.

■ Fiscal Arrangements and Health Care Funding

Finance Ministers across Canada have devoted considerable effort in examining the question of how to improve the federal transfer mechanisms in order to address the ongoing fiscal imbalances between governments. Manitoba believes that restoration of the CHST, along with an appropriate escalation mechanism, is necessary to ensure the continuation of effective and comprehensive public administration of health care in Canada.

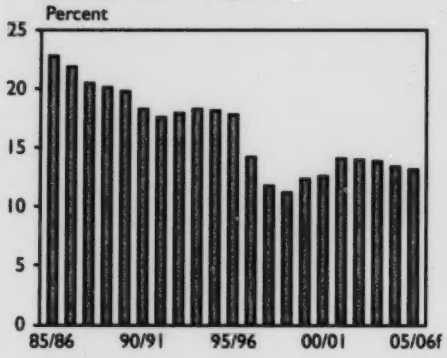
Canada Health and Social Transfer

Prior to the Established Programs Financing (EPF) arrangement in 1977/78, the key components of health care (hospitals and medical services) were financed on a 50:50 basis between the two orders of government, with the federal government providing cash funding on a conditional basis. Federal concern arose over its exposure to provincial cost escalation. At the same time, provinces were concerned over the federal refusal to include areas such as psychiatric services, home care and drug benefits as shareable expenses. Provinces were also concerned about how the cost-sharing model distorted their priorities, as well as its lack of flexibility.

EPF was designed to address these concerns and was instituted as a block fund transfer for post-secondary education and hospital and medical care, while CAP continued to provide cost-sharing for other social programs. EPF was comprised of a cash payment and a calculated "tax point value."

Chart 5

Federal Cash Transfers as a Share of Total Provincial/Territorial Government Spending on Major Social Programs



f - Forecast

Note: Major social programs include health care, education (elementary and post-secondary) and social services. This definition is broader than that which constituted eligible, sharable program expenditures under the EPF and CAP.

Sources: Federal and Provincial/Territorial Public Accounts, Federal Department of Finance and Manitoba Finance

...CHST...funding decisions by the federal government continue to be unilaterally determined and arbitrary.

Beginning in 1982/83, the federal government reduced its cash share of funding for health and other social programs through a series of adjustments to the funding formulas for both EPF and CAP. The federal share of funding for provincial health, education and social services was 22.7% in 1985/86. This share was more than halved, falling to 11.2% by 1998/99 (see Chart 5).

Much of this drop occurred with the introduction of the CHST in 1996/97. The CHST became the single federal program supporting health, education and social services, replacing EPF and CAP.

The partial restoration of CHST cash announced at the 2000 First Ministers' Meeting was a good first step, although it fell short of the proposal for full restoration that was put forward by Premiers. The announced increase raised the share of federal funding for health, education and social services to just over 14.1% in 2001/02. However, without additional funds, this share is expected to decline over the medium term to about 13%. In 2002/03, the scheduled increase in CHST cash is only enough to provide for a 1% increase in provincial/territorial spending on major social programs.

The schedule announced by the federal government for the CHST did not address the concern of Premiers that funding decisions by the federal government continue to be unilaterally determined and arbitrary. Increases and decreases in funding for social programs are not negotiated with the provinces/territories, nor are they based on any objective criteria such as changes in actual costs, ability to pay (revenue capacity), or a benchmark "share" of total costs. The uncertainty inherent in the current funding mechanism has led Premiers to the position that federal funding for health care and other social services needs to be based on a formula that better matches service need, provides a fixed commitment, and reflects our nation's financial means.

At their 2001 annual meeting, Premiers called on the federal government to increase its funding

commitment through the CHST to 18% of total provincial/territorial government spending on health, education and social assistance – a share equivalent to that which existed in 1994/95. The Premiers also called for a CHST escalator to ensure the commitment of the federal government is not eroded over time. The call to restore funding to 18% is one that Manitoba considers to be both modest and affordable, and quite achievable over the medium term.

Professor G. C. Ruggeri, in a 2001 update of the paper originally presented to Premiers at their August 2000 meeting titled, *A Federation Out of Balance*, examined the projected fiscal situations of the federal and provincial/territorial governments out to 2019/20. His key findings were, while much of the federal surplus over the next four years has already been committed through tax cuts and spending increases, after 2004/05, federal surpluses will resume their fast upward climb, reaching $126 billion by 2020, while the aggregate provincial fiscal position will, at best, barely remain in balance.

The study by Professor Ruggeri suggests that, notwithstanding the strain that is being placed on provincial budgets by the current economic downturn, there are sufficient resources within the government sector (writ large) to support health care at a sustainable level. What is needed is a tangible commitment from the federal government to redress the fiscal imbalance. Collectively, provinces and territories do not raise sufficient own-source revenues to meet their obligations under the Constitution to provide important public services, such as health care, education and social services, while providing all of the other public services required by their citizens. At the same time, the federal government is generating revenue in excess of what it requires to meet its more limited set of program responsibilities.

However, with fiscal pressures mounting in virtually every province, Manitoba remains concerned that,

STUDY CALLS FOR FISCAL REBALANCING

The spending pressures in health care recently faced by provincial governments indicate that the funds provided by the federal government in the September 2000 agreement were inadequate.

Ensuring that provinces have sufficient fiscal capacity to meet the spending pressures in the financing of national programs, such as health care and post-secondary education, requires an increase in the level of CHST cash payments and a suitable escalator or a rearrangement of the relative occupancy of tax fields between federal and provincial governments.

Our results show that vertical fiscal imbalances will not fade away, but are likely to become more severe in the future partly because the federal government has the ability to hold back the growth of its spending by allocating a portion of its future surpluses to debt repayment, an option not available to all provinces. The experience of the recent federal policies makes it clear that the expected future surpluses in reality will not materialize because discretionary policy actions will be taken to eliminate them. To which policy priorities these surpluses will be committed will determine the future shape of the Canadian federation. One can certainly appreciate the current fiscal needs of provincial governments and may understand intensified efforts at securing additional federal funding for national programs delivered by the provinces. The greater need, however, is for a fundamental change in intergovernmental fiscal relations aimed at rebalancing the fiscal structures of federal and provincial government in a manner that allows both orders of government to fulfill their constitutional spending responsibilities in a fiscally responsible manner and in a manner that respects jurisdictional integrity.

Prof. G.C. Ruggeri
A Federation Out of Balance: Update (2001)

in the absence of immediate action to address the funding issue, provinces might adopt solutions based more on current budget constraints, rather than moving forward with more optimal and durable solutions that would be much more difficult to implement. Unless the federal government is prepared to assume a major and constructive role in funding health care, its declining share will make it less and less relevant to the future of Medicare in our country.

Unless the federal government is prepared to assume a major and constructive role in funding health care, its declining share will make it less and less relevant to the future of Medicare in our country.

In seeking a durable solution to the problem of funding health care, Manitoba still regards the CHST mechanism as a preferred option. Provinces have been particularly critical of the proliferation of tied-funding deals the federal government has introduced in recent years. These programs require an ongoing cost commitment for the province that is not matched by the federal government, whose support typically lapses after three years. These programs are typically less affordable for the less affluent provinces, and tend to distort provincial spending priorities. Simply put, the funds could be better spent supporting our core health and social service programs.

The unilateral nature of tied-funding is paralleled in the way in which CHST cash transfers are determined by the federal government. It is clear that a more co-operative model of federalism is required to restore not only funding, but also provincial governments' confidence in a federal partner that has not proven reliable in the past when it comes to vital social programs. CHST funding is not provided on an articulated understanding of the cost of providing health care and other services, the ability of the federal government to pay in terms of revenue, or even a targeted share – as recommended by various observers and the Premiers. Given the uncertainty surrounding, and arbitrary nature of, these arrangements, our ability to do the planning necessary to address the cost pressures that we know about is compromised, and with it, our prospects for the sustainability of all our social programs.

A More Co-operative Model of Federalism

The current model for establishing priority and responsibility in respect of funding for health and other social programs is dysfunctional. It is problematic inasmuch as it is hierarchical, with federal decisions being made unilaterally. There is no effective dialogue with provinces and territories, and there is no mechanism to arbitrate disagreements.

At the same time, the federal and provincial/territorial governments have experience with more co-operative approaches to federalism, which have been effective in dealing with problems of common concern, and are definitely worth exploring in this context. The process recently used to effect substantial reforms to the Canada Pension Plan (CPP) is an example. The key issues that the federal government and provinces/territories addressed were those of financing and long-term sustainability. A consensus was developed as to how to meet these challenges, which received the support of the federal government and a more than two-thirds majority of provinces.

Many of the underlying pressures on the CPP are the same as those yet to be addressed in health care financing – a higher percentage of the population reaching retirement age, and a smaller percentage working and contributing to the funding of the Plan. A collective decision was made to move to a payment schedule that provides resources that exceed current requirements, securing additional resources for the future when the need will be greater. Because this has been done in advance of the peaking of program demand, the problem is made more manageable, and the fund will not be subject to the severe strain which could otherwise require more dramatic changes to contribution rates and Plan benefits.

The task we face is not just that of balancing our own books, but doing so in a manner that does not compromise our long-term economic potential and the provision of important public services, of which health is just the first of many.

It is clear that the details surrounding the CPP and health care financing, in particular, are different in both their magnitude and complexity. However, it does offer a better model to build on, and it is imperative that we begin to do so in order to ensure that federal and provincial treasuries are not unduly stressed, and the sustainability of our health care system is maintained over the long term.

A Competitive Edge

The task we face is not just that of balancing our own books, but doing so in a manner that does not compromise our long-term economic potential and the provision of important public services, of which health is just the first of many. Manitoba needs to take a broad perspective on its social and economic responsibilities. National, and increasingly global, markets for goods and services impose disciplines that cannot be readily dismissed, both in terms of tax regimes and competition for resources such as doctors, nurses and technology.

Economic research has indicated that Canada's single-payer, publicly administered health care system is cost-efficient, and gives us a competitive edge, although it may not be as widely appreciated as it ought to be. This advantage is worth preserving. For this reason, provincial governments need to be clear in the policies that they pursue, and that there is a difference between cost shifting and cost saving. The apparent long-term shift in the burden of health care, from the public to the private, is not well understood in terms of its impact on total costs facing individual taxpayers and employers. Having said that, it is clear that government efforts to contain, rather than shift, costs could have significant positive financial benefits for the public sector, as well as for businesses and individuals.

What is well understood is the fact that there is a direct linkage between the health of our citizens and their economic well-being, an old idea that falls within the more current concept of "population health." In seeking to do the greatest possible good with the scarce resources at our disposal, the interaction of the policies that support both of these activities needs to be carefully considered. This is true in respect of the tax system as well, and Finance Ministers have collectively recognized that provinces must maintain affordable tax structures since they contribute to ongoing investment and job creation. These activities ultimately contribute to revenue and our base for funding health services, and so are essential elements in any approach to achieve a sustainable Medicare program.

■ Conclusion

Manitoba's support for a publicly administered health care system is firm. The unique solutions developed here in Canada to address the weaknesses inherent in market-driven approaches to the provision of health care have proven their value and have contributed to Canada's global competitiveness. Collectively, the federal and provincial/territorial governments have the financial resources to sustain the health care system into the future. What is needed is a renewed federal commitment to play a larger role in funding. We have confidence in our collective capacity and ingenuity to maintain quality and cost effectiveness, and re-create a public health care system that will be both responsive and sustainable into the future.

Collectively, the federal and provincial/territorial governments have the financial resources to sustain the health care system into the future. What is needed is a renewed federal commitment to play a larger role in funding.

Budget Paper D

TAXATION ADJUSTMENTS

TAXATION ADJUSTMENTS

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Summary of 2002 Tax Measures

	2002/03	Full Year
	(Millions of Dollars)	
Personal Tax Measures		
Personal Income Tax adjustment	(15.3)	(15.3)
Learning Tax Credit rescinded [A]	10.8	10.8
Education Support Levy reduction [B]	(10.0)	(10.0)
RST exemption for feminine hygiene products introduced	(0.8)	(0.9)
Mineral Exploration Tax Credit introduced	(0.5)	(0.5)
Equity Tax Credit extended	(0.3)	(0.3)
Political Contributions Tax Credit compatibility [A] [C]	– [D]	(0.1)
Total Personal Tax Measures	**(16.1)**	**(16.3)**
Business Tax Measures		
Propane tax rates blended	0.4	0.5
Threshold increase for small business rate	0.0	(0.5)
Film and Video Production Tax Credit amendments	– [D]	– [D]
Total Business Tax Measures	**0.4**	**0.0**
Health and Green Measures		
Tobacco Tax rate increase	41.0	45.0
RST exemption for lagoon liners, slurry tanks extended	(0.6)	(0.8)
Total Health and Green Measures	**40.4**	**44.2**
Technical and Administrative Measures		
RST treatment of mechanical and electrical contracts	7.5	10.6
Miscellaneous measures	2.9	3.9
Total Technical and Administrative Measures	**10.4**	**14.5**
Net Change 2002 Budget	**35.1**	**42.4**
Ongoing Tax Reductions [E]		
Personal tax reductions	(45.7)	(59.2)
Business tax reductions	(22.7)	(54.6)
Net Change 2002/03 and Subsequent Years	**(33.3)**	**(71.4)**

(A) The Learning Tax Credit and Political Contributions Tax Credit are accounted for as expenditure programs.

(B) ESL revenues are not included in the Consolidated Revenue Fund.

(C) The "Full Year" cost shown is the estimated cost in an election year. The cost is minimal in a non-election year.

(D) Minimal cost.

(E) Ongoing tax reductions are those that were announced in previous Budgets to take effect in 2002 or 2003. These are: (a) increase the threshold between the middle and top Personal Income Tax (PIT) brackets from $61,089 to $65,000 on January 1, 2002; (b) reduce the middle bracket PIT rate from 16.2% to 15.4% on January 1, 2002; (c) reduce the middle bracket PIT rate to 14.9% on January 1, 2003; (d) increase the Corporation Income Tax (CIT) small business threshold from $200,000 to $300,000 on January 1, 2002; (e) reduce the small business CIT rate from 6% to 5% on January 1, 2002; and (f) decrease the general CIT rate from 17% to 15% by 0.5% decrements, commencing January 1, 2002 and ending January 1, 2005.

Education Support Levy

(2002/03 collections impact: -$10.0 million)

The Education Support Levy (ESL) is a province-wide property tax. Revenue from this tax is not recorded in the Consolidated Revenue Fund; rather, it flows through to local school divisions.

For 2002 property tax statements, the residential mill rate will fall 16.2% from 7.92 to 6.64, while the commercial mill rate will fall 8.6% from 18.06 to 16.50 to help offset the impact of the 2002 re-assessment. (For technical reasons, the new rates may be slightly different in the City of Winnipeg.) The total amount of residential ESL collected will fall from $98 million to $88 million.

This $10 million in ESL savings is on top of the $53 million in annual savings delivered to Manitobans in the last two Budgets through increases in the Education Property Tax Credit. The basic annual Credit is now $400, with higher amounts available to seniors and lower-income taxpayers.

Personal Income Tax

Non-refundable tax credit amounts

(2002/03 revenue impact: -$15.3 million)

Personal non-refundable tax credit amounts are increased by 3.0% for 2002. This will save Manitobans $15.3 million in Personal Income Tax annually, and remove 5,400 lower-income Manitobans from the tax rolls. Manitoba's average inflation rate for 2001 was 2.6%.

Learning Tax Credit

(2002/03 expenditure impact: -$10.8 million)

Manitoba is the only province that has been providing two Personal Income Tax credits for post-secondary education: the non-refundable education credit (provided by all provinces and the federal government), and the Learning Tax Credit (LTC). In 2001, both Manitoba and the federal government significantly increased the value of the non-refundable credits. The value of the combined credits rose from $1,150 to $1,668 for a person with tuition costs of $3,000 and eight months of attendance at an eligible institution – an increase of 45%. This has reduced the need for a second credit such as the LTC.

As well, student organizations have repeatedly called for the elimination of the Learning Tax Credit. In its pre-Budget presentation to the Minister of Finance in January, the Manitoba branch of the Canadian Federation of Students called for a continuation of the 10% tuition fee cut, and suggested that monies from the LTC could be re-allocated to help keep tuition costs down. "This tax credit is a back-end form of financial aid and has not helped to increase access to education, whereas the tuition fee reduction and freeze have been linked to significant enrolment increases."

Accordingly, this Budget eliminates the LTC, and continues the 10% tuition fee cut. Support to post-secondary education is further enhanced through increased operating grants to universities and colleges, the College Expansion Initiative, and additional dollars for bursary programs.

Manitoba Mineral Exploration Tax Credit

(2002/03 revenue impact: -$0.5 million)

In order to encourage and promote exploration and development of mineral deposits in the province, the Manitoba Mineral Exploration Tax Credit (MMETC) is introduced. The Credit builds upon existing provincial incentives under the Mineral Exploration Assistance Program. MMETC will more effectively target provincial funding toward junior exploration companies in Manitoba.

The MMETC is a non-refundable 10% personal income tax credit for resident investors in eligible flow-through shares of qualifying mineral exploration companies. Earned Credits will be applied against Manitoba income tax payable. There is no cap on the maximum eligible investment by an individual investor, and no limit on the maximum amount of the Tax Credit.

MMETC will parallel and top up the 15% federal exploration tax credit, providing individual investors with a combined tax credit rate of 25%. Eligible investments and qualifying exploration activity will be tied to federal eligibility, except that substantially all of the exploration activity must be undertaken in Manitoba, and an eligible investor must be a resident of Manitoba.

The Mineral Policy and Business Development Unit, Manitoba Industry, Trade and Mines, will approve qualifying corporations and flow-through shares.

This initiative is designed to support exploration for new mineral deposits in Manitoba, leading to further development of mining activities and job creation in rural and northern regions of Manitoba.

Manitoba Equity Tax Credit

(2002/03 revenue impact: -$0.3 million)

The Manitoba Equity Tax Credit was introduced in the 1999 Budget to assist the development of capital markets in Manitoba and to encourage Manitobans to invest in Manitoba companies. It was scheduled to expire at the end of June 2005. Since the Credit is earned over a 36-month period, no new issues would have qualified for the Tax Credit after June 2002. This Budget extends the eligibility period for three years to June 2008.

An eligible corporation must not have assets in excess of $50 million, have no more than 500 employees, have at least 25% of its employees located in Manitoba, and pay at least 25% of its wages and salaries to Manitoba residents. All eligible securities must be listed on the Winnipeg Stock Exchange. The maximum issuance permitted by an individual corporation is $5 million in qualifying common shares. The total value of all shares issued by eligible corporations in a given year cannot exceed $20 million.

The Credit for a given taxation year is calculated at 5% of the base price of an eligible investment, up to a maximum Credit of $1,500. The Equity Tax Credit may be claimed for up to 36 months where the share is retained for the full period. The effective rate of the Credit is 15% if the share is held for the maximum allowable period. If a share is not held for a complete 12-month period, the amount of the Credit is prorated on a daily basis.

Political Contributions Tax Credit

(2002/03 expenditure impact: minimal)

For eligible political contributions made in 2002 and subsequent years, an individual may claim a Tax Credit equal to 75% of the first $200, an increase from $100. Contributions above $200 and up to $550 continue to be eligible for a 50% Credit, and contributions above $550 continue to be eligible for a 33.33% Credit. The Manitoba Credit is now comparable to the federal Credit.

In an election year, this measure will increase expenditure by approximately $85,000 to $95,000. This is more than offset by the savings from the 2001 legislation banning political contributions by corporations and trade unions. In the 1999 election year, corporations claimed Political Contributions Tax Credits of $116,735.

Corporation Income Tax

Small business threshold

(2002/03 revenue impact: nil)

Canadian-controlled private corporations that qualify for the federal small business deduction pay a lower rate of Manitoba Corporation Income Tax. For many years, up to and including 2001, the lower rate applied on the first $200,000 of active business income (which was and remains the federal threshold). The 2001 Budget increased this threshold to $300,000 effective January 1, 2002.

This Budget increases Manitoba's small business threshold to $400,000 in three steps: $320,000 on January 1, 2003; $360,000 on January 1, 2004; and $400,000 on January 1, 2005. When fully implemented, this measure will save smaller Manitoba firms $500,000 annually.

As of January 1, 2002, the small business Corporation Income Tax rate is 5%, and the general Corporation Income Tax rate is 16.5%. The general rate will continue to fall by 0.5% each January 1 until it reaches 15% in 2005.

REDUCTIONS IN CORPORATION INCOME TAX RATES SINCE 1999

	1999	2002	2005
Taxable Income			
Up to $200,000	8%	5%	5%
$200,000 to $300,000	17%	5%	5%
$300,000 to $400,000	17%	16.5%	5%
Over $400,000	17%	16.5%	15%

Film and Video Production Tax Credit

(2002/03 revenue impact: minimal)

The Manitoba Film and Video Production Tax Credit, introduced in the 1997 Budget and extended in the 1999 and 2001 Budgets, will be broadened to include equivalent New Media productions that parallel the traditional film and video formats. The changes recognize the uniqueness of the New Media industry while also ensuring continued support for the growing provincial film industry.

The Tax Credit has been equal to the lesser of 35% of eligible salaries paid to Manitoba residents, or 22.5% of total production costs. The production cost cap of 22.5% will now be eliminated. Instead, a qualifying corporation applying for the Tax Credit will have two options: (a) to have the Tax Credit calculated using 35% of eligible salaries paid to Manitoba residents, as is currently the case, or (b) to make an irrevocable election to calculate the Tax Credit as 10% of production costs incurred in Manitoba.

In addition, new enforcement measures and set-off provisions will be introduced to ensure that any overpayment of the Tax Credit can be recovered.

Since its introduction in 1997, Tax Credits totalling $8.5 million have been paid to 62 productions in Manitoba.

■ Motive Fuel Tax

(2002/03 revenue impact: $0.4 million)

Propane

The three existing propane tax rates (5.7¢ per litre for vehicles, 1.6¢ for commercial heating and 2.15¢ for barbecue tanks) will be blended into a common tax rate of 3.0¢ per litre, effective July 1, 2002.

Manitoba is the only province with more than one tax rate on propane. The blended rate facilitates tax reporting and reduces the administrative burden for business. The reduced rate on vehicle propane will encourage the use of a fuel that is more environmentally friendly.

■ Tobacco Taxes

(2002/03 revenue impact: $41.0 million)

For both health and revenue reasons, the Tobacco Tax rate is increased effective midnight, April 22, 2002 as follows:

	TO	FROM
Cigarettes (each)	14.5¢	9.6¢
Fine cut (per gram)	13.2¢	8.3¢
Raw leaf (per gram)	11.9¢	7.0¢

■ Retail Sales Tax

Farm manure slurry tanks and lagoon liners

(2002/03 revenue impact: -$0.6 million)

To promote environmentally safe handling of animal waste on farms, this Budget extends to June 30, 2003 the exemption for manure slurry tanks and lagoon liners for use in farm livestock operations.

Mechanical and electrical contracts

(2002/03 revenue impact: $7.5 million)

The administration of Retail Sales Tax for mechanical and electrical contractors will be simplified by consistently applying the tax to the labour component of all contracts.

Feminine hygiene products

(2002/03 revenue impact: -$0.8 million)

Effective May 1, 2002, feminine hygiene products will be exempted from Retail Sales Tax.

■ Technical and Administrative Measures

(2002/03 revenue impact: $2.9 million)

Amendments to the various taxation statutes will be made as part of *The Budget Implementation and Tax Statutes Amendment Act, 2002.* These amendments include:

- reducing the tax administration burden for small businesses by raising thresholds for reduced filing frequencies, and providing quarterly and annual filing options;
- levelling the playing field for Manitoba businesses by requiring non-resident vendors to collect Retail Sales Tax on goods delivered into Manitoba;
- increasing the interest rate on arrears under all provincially administered tax statutes to encourage the timely payment of taxes due;
- enhancing collection measures under various statutes;
- calculating Retail Sales Tax on the taxable use of demonstrator vehicles using current vehicle values;
- eliminating commissions paid to large businesses; and
- establishing a processing fee on vehicle Retail Sales Tax refunds.

■ Further Information

For further information, view Tax Bulletin #102 at the Manitoba Finance web site: www.gov.mb.ca/finance/taxation. Or contact the appropriate office as listed below.

Non-Refundable Tax Credit Amounts, Political Contributions Tax Credit:
Manitoba Tax Assistance Office
Manitoba Finance
Telephone: (204) 948-2115 in Winnipeg
Toll-free: 1-800-782-0771
Facsimile: (204) 948-2263
E-mail: TAO@gov.mb.ca

Education Support Levy:
Schools Finance Branch
Education, Training and Youth
Telephone: (204) 945-6910
Facsimile: (204) 948-2000
E-mail: mbedu@merlin.mb.ca

Corporation Income Tax:
Federal-Provincial Relations and Research Division
Manitoba Finance
Telephone: (204) 945-3757
Facsimile: (204) 945-5051
E-mail: fedprov@gov.mb.ca

Retail Sales Tax, Motive Fuel Tax, Tobacco Tax and Technical Administrative Measures:
Taxation Division
Manitoba Finance
Telephone: (204) 945-5603 in Winnipeg
(204) 726-6153 in Brandon
Toll free: 1-800-782-0318 (Winnipeg)
1-800-275-9290 (Western Region)
Facsimile: (204) 945-0896
E-mail: MBTax@gov.mb.ca

Manitoba Film and Video Production Tax Credit:
Manitoba Film and Sound Recording Development Corporation
Telephone: (204) 947-2040
Facsimile: (204) 956-5261
E-mail: explore@mbfilmsound.mb.ca

Equity Tax Credit:
Financial Services Branch
Manitoba Industry, Trade and Mines
Telephone: (204) 945-7343
Facsimile: (204) 945-1193
E-mail: kbenton@gov.mb.ca

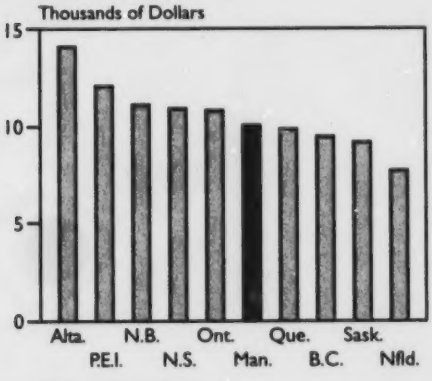
Manitoba Mineral Exploration Tax Credit:
Minerals Policy and Business Development Unit
Manitoba Industry, Trade and Mines
Telephone: (204) 945-6564
Facsimile: (204) 945-8427
E-mail: minesinfo@gov.mb.ca

2002 Interprovincial Comparison of Personal Income Taxes

The Manitoba Advantage includes a table showing taxes and other costs for typical families in each province. Another useful comparison of provincial tax systems is the income level at which provincial income tax becomes payable. The "No Children" chart shows that Manitoba has the sixth-best ranking for a single person with no dependents. The "Two Children" chart shows that Manitoba has the fourth-best ranking for a one-income family of four. The "Seniors" chart shows that Manitoba has the second-best ranking for a single senior.

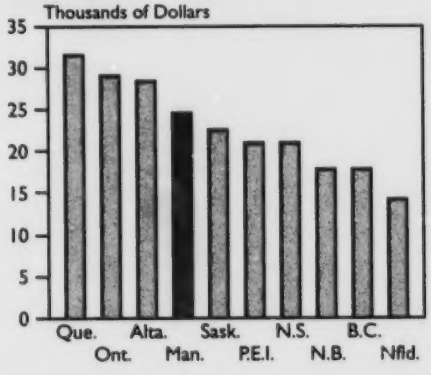
Another useful comparison is the top marginal tax rate, or the highest tax rate charged by each province. In 2001, Manitoba ranks fourth-best.

Tax-Free Income – No Children, 2002



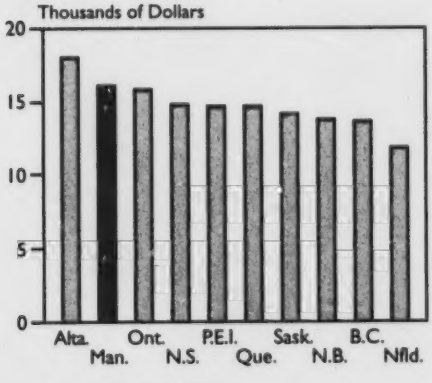
Source: Manitoba Finance

Tax-Free Income – Two Children, 2002



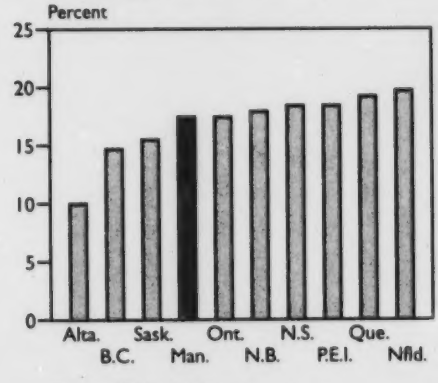
Source: Manitoba Finance

Tax-Free Income – Seniors, 2002



Source: Manitoba Finance

Top Marginal Tax Rate, 2002



Source: Manitoba Finance

Manitoba Income Tax Savings for Typical Taxpayers

Income	Tax in 1999	Tax Savings since 1999			4-Year Total	2003 Savings over 1999
		In 2001	In 2002	In 2003		
		(Dollars)				(Percentage)
SINGLE PERSON						
10,000	178	88	115	116	345	65.2
20,000	1,369	148	179	181	575	13.2
40,000	4,012	218	335	388	1,073	9.7
70,000	9,153	391	755	933	2,334	10.2
100,000	14,572	591	955	1,133	3,064	7.8
SENIOR COUPLE*						
30,000	438	185	221	221	675	50.5
40,000	1,634	397	469	469	1,451	28.7
60,000	4,480	500	621	643	1,949	14.4
80,000	7,855	448	698	792	2,206	10.1
FAMILY OF FOUR - ONE EARNER						
25,000	591	322	375	378	1,151	64.0
40,000	2,891	432	570	623	1,778	21.5
60,000	6,625	726	1,024	1,177	3,158	17.8
75,000	9,435	789	1,174	1,352	3,611	14.3
100,000	13,951	705	1,090	1,268	3,468	9.1
FAMILY OF FOUR - TWO EARNERS						
30,000	691	294	324	326	1,026	47.2
40,000	1,453	359	417	420	1,299	28.9
60,000	4,107	542	654	689	2,059	16.8
80,000	7,169	691	907	1,004	2,847	14.0
100,000	10,188	677	1,017	1,189	3,201	11.7

Increased Education Property Tax Credits are not included in the above examples.

* In previous Budgets, it was assumed that the lower-income spouse in a senior couple only received the Old Age Security Pension. To reflect the increasing prevalence of two-income families, in this table it is assumed that both spouses receive Canada Pension Plan, private pension income and the OAS Pension, with the principal taxfiler receiving 60% of the total private pension amount and the other taxfiler receiving 40% of the total private pension amount.

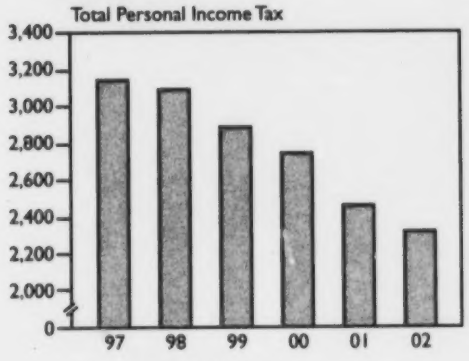
In these tables, it is assumed that single and married taxfilers have earned income and pay Canada Pension Plan and Employment Insurance premiums. In the two-earner couples, it is assumed one earner earns 60% of the income while the other earner earns 40%.

Totals may not add due to rounding.

Manitoba Income Taxes Since 1997

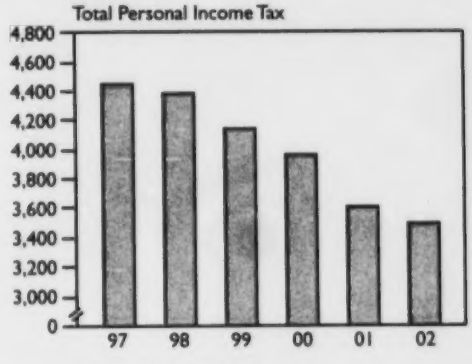
Manitobans have seen their provincial Personal Income Tax fall for five consecutive years.

One-Earner Family of Four at $40,000



Source: Manitoba Finance

Two-Earner Family of Four at $60,000



Source: Manitoba Finance

Personal Tax Savings Since 1999

Personal Income Taxes, Education Property Tax Credits, Education Support Levy

	Implemented in:				Cumulative Annual Total
	2000	2001	2002	2003	
	(Millions of Dollars)				(Millions of Dollars)
Income Tax Reductions:					
2000 Budget	9	68	34		111
2001 Budget		29	7	18	54
2002 Budget			15		15
Total					181
EPTC Increases; ESL Decrease					
2000 Budget	26				26
2001 Budget		27			27
2002 Budget			10		10
Total					63
Annual Totals	35	124	67	18	
Cumulative Annual Totals	35	159	226	244	244

Totals may not add due to rounding.

Manitoba Income Taxes Since 1997

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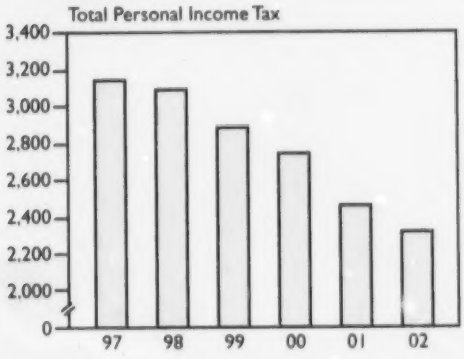

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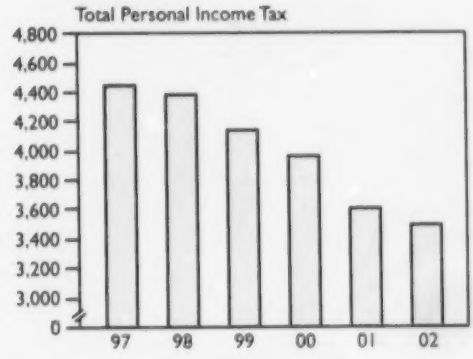

Source: Manitoba Finance

Personal Tax Savings Since 1999

Personal Income Taxes, Education Property Tax Credits, Education Support Levy

	Implemented in:				Cumulative Annual Total
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Annual Totals	**35**	**124**	**67**	**18**	
Cumulative Annual Totals	**35**	**159**	**226**	**244**	**244**

Totals may not add due to rounding.

2002 Interprovincial Comparison of Tax Rates

	B.C.	Alta.	Sask.	Man.	Ont.*
Personal Income Tax					
Top Marginal Rate (%) [A]	14.70	10.00	15.50	17.40	17.41
Health Care Premiums ($)	1,296	1,056	–	–	–
Corporation Income Tax (%) [B]					
Small Rate	4.50	4.63	6.00	5.00	6.00
Large Rate	13.50	13.13	17.00	16.50	12.50
Capital Tax (%) [C]	–	–	0.60	0.30	0.30
Banks	1.00	–	3.25	3.00	0.90
Employer Payroll Tax (%)	–	–	–	2.15	1.95
Small Firms [D]	–	–	–	–	–
Sales Tax (%) [E]	7.50	–	6.00	7.00	8.00
Diesel Fuel Tax (¢/l) [F]	11.50	9.00	15.00	10.90	14.30
Gasoline Tax (¢/l) [F]	11.00	9.00	15.00	11.50	14.70
Tobacco Tax (¢/cigarette) [G]	15.00	16.00	16.00	14.50	4.45

* Ont. has not yet presented a Budget for 2002.

(A) Top marginal provincial rates on taxable income include surtaxes paid by taxpayers in the highest bracket. For more detailed interprovincial comparisons of personal income taxes, see the Manitoba Advantage.

(B) Some provinces apply special rates to certain types of business income. Que. applies a 1.6% Youth Fund surtax on their corporation income tax rate of 8.9%. Alta.'s small business rate was reduced from 5.0% to 4.5% and its general rate was reduced from 13.5% to 13.0% effective April 1, 2002. N.B.'s small business rate will be reduced from 4.0% to 3.5% and its general rate will be reduced from 16.0% to 14.5% effective July 1, 2002.

(C) Man. has a $5 million exemption and imposes a 0.2% surtax on taxable paid-up capital in excess of $10 million. Sask. applies a 3.6% surcharge on specified resource sales of large corporations. Banks and trust companies in B.C. with paid-up capital in excess of $1 billion and without a head office in B.C. pay at a rate of 3.0%.

(D) Firms with payroll of $500,000 or less in Nfld., $400,000 or less in Ont., $1 million or less in Man.

(E) Retail Sales Tax refers to general rate only. Que. and P.E.I. apply the sales tax on top of GST-inclusive prices. Sales taxes in N.B., N.S., and Nfld. are harmonized with the federal GST.

(F) Petroleum taxes are for regular gasoline and highway diesel fuel. Gasoline and diesel fuel are subject to a transit levy of **6 cents** per litre in Vancouver and **1.5 cents** per litre in Victoria and Montréal.

(G) Provinces, except B.C., Alta. and P.E.I., also apply sales taxes to tobacco products. In addition, QST applies in Que. and HST applies in N.B., N.S., Nfld.

Que.	N.B.	N.S.	P.E.I	Nfld.	
					Personal Income Tax
19.22	17.84	18.34	18.37	19.64	Top Marginal Rate (%) [A]
–	–	–	–	–	**Health Care Premiums ($)**
					Corporation Income Tax (%) [B]
9.04	3.75	5.00	7.50	5.00	Small Rate
9.04	15.25	16.00	16.00	14.00	Large Rate
0.64	0.30	0.25	–	–	**Capital Tax (%)** [C]
1.55	3.00	3.00	3.00	4.00	Banks
4.26	–	–	–	2.00	**Employer Payroll Tax (%)**
2.70	–	–	–	–	Small Firms [D]
7.50	8.00	8.00	10.00	8.00	**Sales Tax (%)** [E]
16.20	15.40	15.40	13.50	16.50	**Diesel Fuel Tax (¢/l)** [F]
15.20	13.00	15.50	14.00	16.50	**Gasoline Tax (¢/l)** [F]
6.55	7.25	10.52	11.45	13.50	**Tobacco Tax (¢/cigarette)** [G]

MANITOBA ADVANTAGE 2002

THE MANITOBA ADVANTAGE

THE MANITOBA ADVANTAGE

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For more information about **The Manitoba Advantage,**
visit the Government of Manitoba websites:

Manitoba Finance: www.gov.mb.ca/finance

Manitoba Industry, Trade and Mines: www.gov.mb.ca/itm

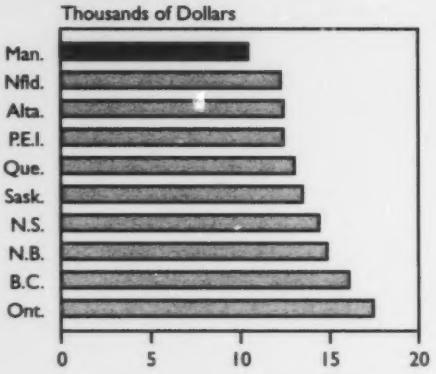
THE MANITOBA ADVANTAGE

Ask Manitobans why their province is such a great place to live and work, and you're likely to hear things like: "quality of life," "clean and safe," "friendly," "accessible public services," "beautiful communities," "affordable," and "plentiful job opportunities."

Manitoba has one of Canada's strongest and most stable economies. Its economic success is built on a unique combination of factors that we call The Manitoba Advantage:

- extremely favourable business cost environment, including affordable office and land costs, low construction costs and affordable taxes;
- North America's lowest electricity costs based on highly reliable, renewable and environmentally responsible hydro-electricity;
- a productive, well-educated, responsible and multilingual labour force;
- modern and extensive telecommunications infrastructure;
- an extensive network of research and development facilities, supporting innovation and technology diffusion;
- an excellent mid-continent location in the North American central time zone;
- flexible and cost-effective transportation links and intermodal facilities, providing shipping by road, rail, air and sea;
- reliable and accessible public services, including quality universal public health care and education; and
- clean, uncongested and safe communities, an extensive cultural and artistic community, and an unblemished natural environment – all of which contribute to an unsurpassed quality of life.

Annual Personal Costs and Taxes Single-Earner Family of Four Earning $40,000*



*Includes income, retail sales and gasoline taxes, health premiums, mortgage costs, auto insurance, telephone service, electricity, heating and property taxes.

Average House Price Executive Detached Two-Storey

Toronto	$ 438,000
Vancouver	391,000
Calgary	302,000
Montréal	230,000
Halifax	197,000
Fredericton	187,000
St. John's	176,000
Winnipeg	**169,000**
Charlottetown	160,000
Regina	153,500

Source: Royal LePage *Survey of Canadian House Prices*, Fourth Quarter 2001

Average House Price Standard Townhouse

Vancouver	$ 224,000
Toronto	223,000
Calgary	154,000
Fredericton	120,000
Regina	110,000
Montréal	106,000
Halifax	105,500
Charlottetown	80,000
St. John's	71,500
Winnipeg	**67,000**

Source: Royal LePage *Survey of Canadian House Prices*, Fourth Quarter 2001

Major companies continue to choose Manitoba as a place to invest and grow. Recently, firms like J. R. Simplot, Standard Aero, Acsion Industries, Winpak Ltd., Nexen Chemicals, Biovail Corporation, Maple Leaf Distillers, Albchem Industries, Canwest Global Communications Group, Schweitzer-Mauduit Canada and Mountain Equipment Co-op have all recognized Manitoba's considerable advantages with new investment.

The following pages provide more detail on The Manitoba Advantage, including both business and personal costs and taxes, as well as facts about Manitoba's quality of life. Appendix 1 documents Manitoba's competitive advantages as a location for manufacturing and processing activity. Appendix 2 provides an interprovincial comparison of annual living costs and personal taxes.

■ What is The Manitoba Advantage?

- Manitoba has one of Canada's most diverse economies. Manitoba is home to a number of major industries including aerospace, bus manufacturing, food processing, health products and research, furniture, financial services and transportation. In 2000, Moody's Investors Services named Winnipeg as Canada's most diverse urban economy. While the province has many strengths, it also has balance; no one sector dominates the Manitoba economic landscape.
- The diversity of the province's industrial structure provides stability to the economy. Over the last five years, Manitoba's real GDP growth has been the most stable among the provinces. This economic stability provides for a more steady work force and a predictable and durable local business climate.
- Manitoba is located at the northern end of the mid-continental trade corridor, as well as at the major junction in Canada's east-west transportation

system. These factors place the province in a strong position in terms of expanding trade and transportation links. Winnipeg is served by intercontinental railway systems that operate intermodal terminals in Winnipeg, handling over 85,000 containers per year. The extensive and modern rail car marshalling facilities handle over 5,000 rail cars per day. These facilities offer substantial flexibility and cost savings to business, with ready access to the U.S. market through three separate railway lines from Winnipeg.

- Manitoba's central position in Canada also makes it ideal for the trucking industry. Many of Canada's leading interprovincial and transborder firms are headquartered in Manitoba. Manitoba's location on the mid-continental trade corridor provides easy trucking access to the Midwest and Great Lakes states, as well as ready access to the southern U.S. and Mexico via the U.S. interstate highway system. Shipments by truck from Winnipeg can reach most North American cities within three transit days, including Vancouver, Montréal, New York, Houston and Portland.

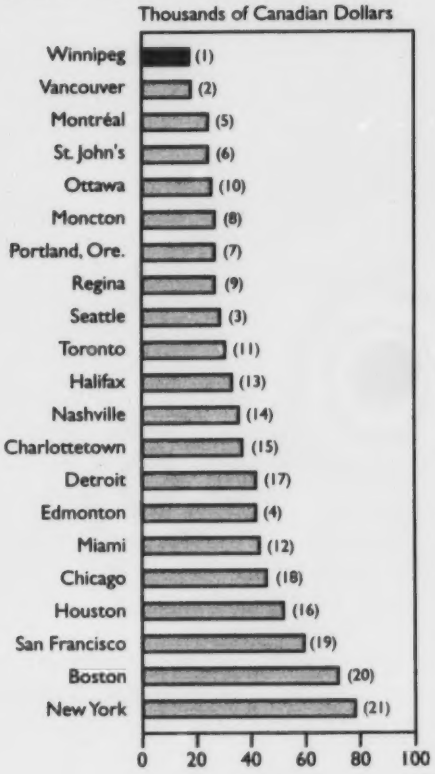
- Winnipeg International Airport is one of the few major North American airports that operates 24 hours a day. The airport offers a broad range of services, including international carriers, commuter airlines, jet freight and extensive cargo, and courier facilities. It serves three million passengers through 158,000 aircraft movements per year, and moves 100,000 tonnes of air cargo annually.

- Churchill is the only deepwater port in the prairie region. Located on Hudson Bay, the Port brings Atlantic Ocean trade to Western Canada. Improvements to the facility last year allowed Churchill to accommodate Panamax class vessels with a 50,000 to 60,000 tonne capacity. The Port of Churchill offers major cost advantages for ocean shipping to and from Europe, Africa and Latin America.

"Manitoba is once again proving that its reputation as a diversified economy is well earned. Although the North American economy showed clear signs of fatigue in 2001, the province managed to post the second highest growth rate of all the provinces."

Conference Board of Canada
February 2002

Monthly Industrial Electric Bills
Medium-sized Commercial/ Industrial Customer
400,000 Kilowatt Hours, 2001



Ranking last year in brackets.
Source: Hydro-Québec

- Manitoba's hydro-electricity rates are among the lowest in the world. Manitoba Hydro, one of North America's major electricity companies, has generating capacity of over 5,000 MW. Virtually all of this energy is generated by clean, reliable and environmentally desirable water-powered facilities. Manitoba Hydro has identified several potential hydraulic power generating sites which could add a further 5,000 MW to its capacity. Manitobans will continue to have access to clean and affordable power both today and in the future.
- Manitoba has an abundance of natural resources. The mining industry produces a diverse mix of minerals including nickel, zinc, copper, gold and tantalum. Last year, Manitoba's mineral sector output was valued at $1 billion. Manitoba has a large and long-established forestry industry that produces paper, newsprint and lumber. The commercial fishing industry annually produces about 12 million kilograms of whitefish, walleye, and other species. Careful management of Manitoba's natural endowments ensures the sustainable development of these resources.
- Manitobans enjoy advanced connectivity through comprehensive telecommunications and information infrastructure. Manitoba's direct access to the world includes an extensive and rapidly growing high-density broadband network, as well as over 75,000 kilometres of fibre-optic cables, and 100% digital switching throughout the province.
- Research and innovation continue to play an important role in Manitoba's economic growth and diversification. About 200 firms undertake R & D programs in Manitoba. The public and private sectors expended $370 million on research in 1999, about 1.2% of GDP. The province has a strong and growing knowledge cluster in biomedical sciences, including significant research and innovation facilities supported by private industry, government and

post-secondary institutions. Other major research areas are engineering, food sciences and agriculture. Research is supported by Manitoba's 15% Research and Development Tax Credit.

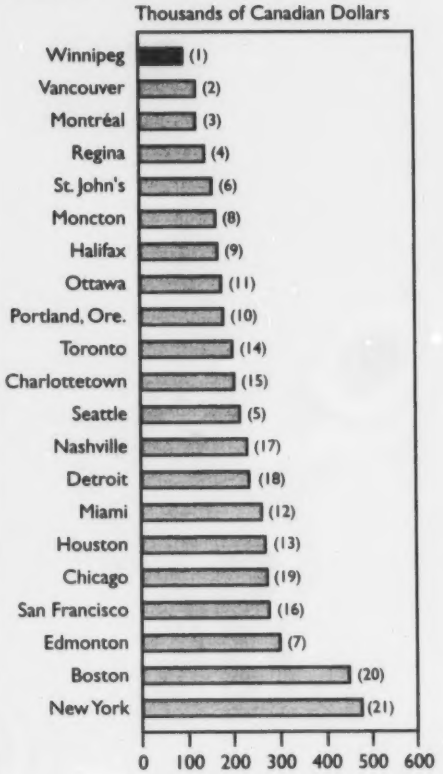
- Manitoba's commitment to important public services, such as health care, continues to grow. There are no premiums or personal charges for health services in Manitoba for either employers or individual Manitobans. This is a major advantage over U.S. locations for both businesses and residents. In the U.S., employers incur $3,500 to $5,000 annually per employee in health care insurance costs.

- Having the skills and knowledge to take on the challenges of the 21st century is a prerequisite for a prosperous and growing economy. Manitobans enjoy a quality public education system, including affordable, high-quality post-secondary education opportunities in several universities and colleges. Over 30,000 students attend the University of Manitoba, the largest of Manitoba's four universities. The University offers an outstanding and diverse range of courses and studies in more than 65 degree, diploma and certificate programs. Higher education continues to be affordable in Manitoba, with undergraduate tuition the third-lowest in Canada, and about 15% less than the Canadian average. As well as university study, about 13,000 students are enrolled in full- or part-time study at Manitoba's four community colleges.

- Looking for a family-friendly place to put down roots? Winnipeg is recognized as one of Canada's most family-friendly cities. Affordable living costs, good schools, excellent child care options and a safe environment make Manitoba a great place to raise a family.

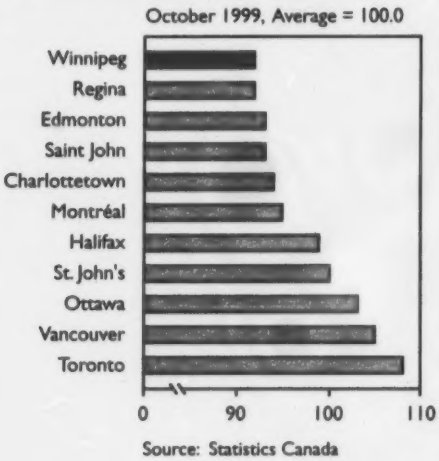
- Winnipeggers know that less time on the road means more time with your family and friends. Even though Winnipeg is a sophisticated urban centre, two thirds of residents live within

Monthly Industrial Electric Bills
Large-sized Commercial/ Industrial Customer
3,060,000 Kilowatt Hours, 2001



Ranking last year in brackets.
Source: Hydro-Québec

Intercity Index of Retail Price Differential



Source: Statistics Canada

five miles of their work, while 92% commute less than 10 miles to their workplace.

- Manitobans care. Overall, Manitoba continually has among the highest rates of volunteerism in Canada. Moreover, Manitobans' charitable giving is the most generous in Canada, reflecting our community spirit and our long tradition of helping others.

- Winnipeg has an active and vibrant artistic and cultural scene, including the Winnipeg Art Gallery, the Manitoba Museum of Man and Nature, the Winnipeg Symphony Orchestra, several live theatre centres and the Manitoba Opera. The internationally renowned Royal Winnipeg Ballet is Canada's oldest dance company and one of Canada's cultural treasures. The company tours extensively and brings to the world what Manitobans enjoy at home. The Winnipeg Fringe Theatre Festival is one of the largest fringe festivals in North America, with an attendance of 128,000 last summer. The enthusiastic support of Manitobans for the arts is evident in the fact that Manitoba's performing arts companies enjoyed among the highest per capita revenue and attendance in Canada.

- Manitoba is blossoming into a film and television production centre. Released throughout Canada and around the world, many productions are featured in Winnipeg's annual FilmExchange, the National Screen Institute's Canadian Film Festival; this is the largest film festival in Canada devoted entirely to Canadian films.

- Manitoba's population has created a rich and fascinating mosaic of cultural and artistic accomplishments. Folklorama, a celebration of the many cultures of Manitoba, which was recognized as the Best Cultural Event by the Canadian Event Industry, attracts over 400,000 pavilion visits during its two-week run. Manitoba's other major festivals include: the Brandon Royal Winter Fair;

Northern Manitoba's Trappers' Festival in The Pas; The Winnipeg Folk Festival, one of the largest in North America; the Jazz Winnipeg Festival; Canada's National Ukrainian Festival in Dauphin; and numerous music and theatrical festivals. Winnipeg also hosts two annual festivals for children: Freeze Frame, a festival of international films for children and young people, and the International Children's Festival. In December, the Festival of Lights attracts young and old alike.

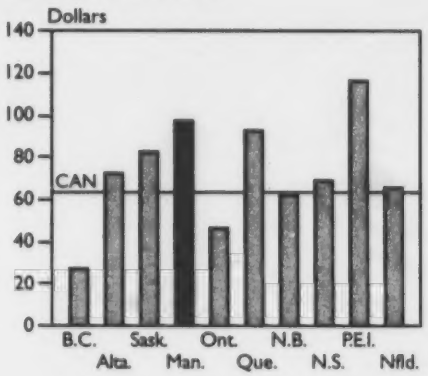
- Winnipeg is also home to the second-largest community of French-speaking Canadians outside of Quebec. It boasts Canada's oldest continuously operating French theatre, Le Cercle Molière. Every winter, Manitobans celebrate Manitoba's rich French Canadian heritage at the Festival du Voyageur.

- There are professional sports teams in the American Hockey League, the Canadian Football League and the Northern Baseball League. In 1999, Manitoba successfully hosted the Pan American Games, the biggest multi-sports event ever held in Canada. This summer, the province will proudly host the North American Indigenous Games, with 7,000 participants.

- Golfing is one of North America's fastest-growing recreational activities. With more than 120 golf courses, Manitoba has one of the highest ratios of golf courses to golfers in Canada, as well as one of the highest golfing participation rates in Canada.

- Beaches, lakes and parks are integral parts of Manitoba's quality of life. Grand Beach on Lake Winnipeg is one of the best in North America. Manitoba is a province of 100,000 lakes, and cottage country is never more than a short drive away. Visitors can watch the polar bear migration or view beluga whales near Churchill, enjoy the bison at Riding Mountain National Park or enjoy the great landings of migratory ducks and geese throughout the province. Winters sparkle in

Provincial Government Per Capita Expenditures on Recreation and Culture, 2000/01



Sources: Statistics Canada and Manitoba Finance

This summer, the province will proudly host the North American Indigenous Games, with 7,000 participants.

Manitoba, with extensive family recreation opportunities for skiing, curling, snowmobiling and (of course) hockey! Whether you're an observer or a participant, the choices for recreation are almost endless.

Budget 2002 builds on Manitoba's considerable advantages. To illustrate Manitoba's cost competitiveness in more detail, two appendices are attached. The first, Manitoba's Competitive Environment for Manufacturing, provides a detailed comparison of the taxes and costs faced by representative manufacturers in various Canadian and U.S. cities. The second is an Interprovincial Comparison of Annual Personal Costs and Taxes.

Appendix 1: MANITOBA'S COMPETITIVE ENVIRONMENT FOR MANUFACTURING

Manufacturing is Manitoba's largest industrial sector. It accounts for approximately 14% of GDP and directly employs about one in eight Manitobans. In total, 71,000 are employed in the manufacturing sector.

Like the economy as a whole, the manufacturing sector is diverse. It produces a wide variety of consumer and intermediate goods. Some of these are well known: Canada's largest furniture factory, operated by Palliser Furniture, is located in Winnipeg; Manitoba is one of North America's major bus manufacturers; Maple Leaf Foods operates one of the worlds largest, most technologically advanced meat processing plants in Brandon; Manitoba is home to Canada's third-largest aerospace centre, with over $1 billion in annual sales; and over 100 firms make the province Canada's third-largest apparel manufacturing centre.

Considerable growth in a number of other manufacturing industries has occurred over the past several years. Manitoba continues to expand in many strategically important areas, such as pharmaceuticals, biomedical equipment, nutraceuticals, electronics, chemicals and plastics.

Manitoba's competitive and cost-effective business environment continues to attract manufacturing investment. Manufacturers are taking advantage of the province's central location and its excellent transportation links to other parts of North America. Industrial and commercial land costs are lower than in other major metropolitan centres, and electricity costs are among the lowest in the world.

Manitoba Finance's competitiveness model is used to quantitatively compare the tax structure and cost environment for a representative small and a larger manufacturing firm. The model is used to assess Manitoba's competitive position relative to several other North American cities.

The model simulates present and future start-up costs, operating costs, and financial and taxation profiles over a period of 20 years. It incorporates future changes in taxes that have been announced by provincial and federal governments. The current analysis is an update of the previous manufacturing competitiveness model, which was developed in the early 1990s. The representative firms' profiles have also been updated using the most recent data available from Statistics Canada, local economic development boards and other public sources.

Interjurisdiction Competitiveness

The following indicators are used to assess cost and tax competitiveness for a small and a larger manufacturing firm over a 20-year period:

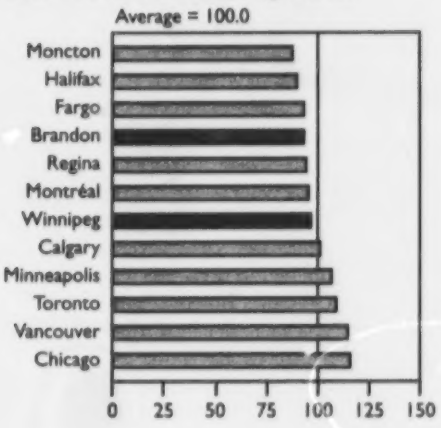
- net cost of investment, or start-up costs (including applicable taxes);
- pre-tax net income;
- effective tax rates; and
- internal rates of return.

This analysis uses a variable cost model and calculates net revenue and cash flow, including start-up costs, based on the operating costs in each location. The results for each city are compared to the overall average of all cities for each of the indicators, and are presented in the charts that follow.

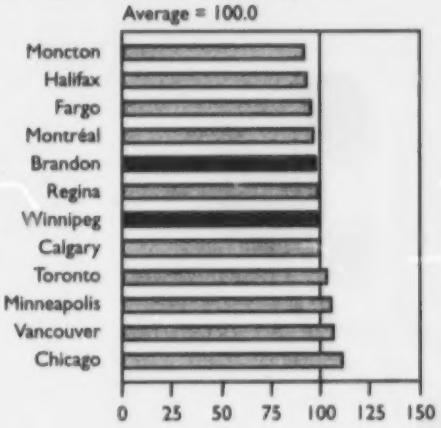
Net Cost of Investment

The costs of starting a manufacturing plant (land, buildings and machinery and equipment) are lower in Manitoba than the average for all cities. The net cost of investment for larger metropolitan centres tends to be higher than the overall average, primarily because of the higher cost of land.

Net Cost of Investment
Small Manufacturing Firm



Net Cost of Investment
Larger Manufacturing Firm



Pre-Tax Net Income

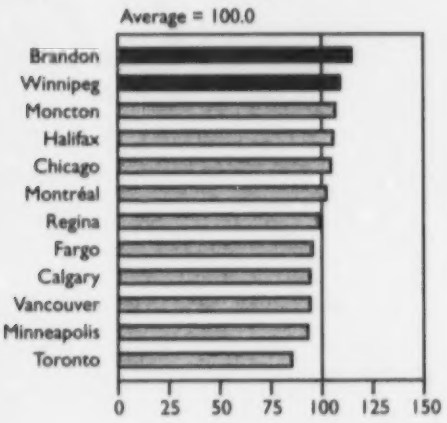
The model calculates pre-tax net income by subtracting from a common level of revenue the following location-sensitive operating costs:

- average manufacturing wages;
- local utility charges (electricity and telephone);
- interest costs; and
- capital depreciation.

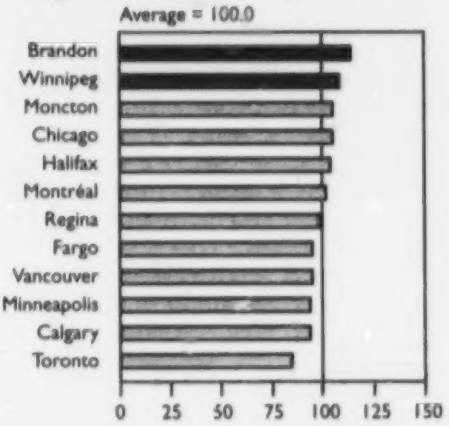
Pre-tax net income is used to compare Manitoba's cost competitiveness to the other locations. A higher pre-tax income indicates lower operating costs in a given jurisdiction. The sales figures used in the simulation model are fixed across the cities, $4 million for the small firm and $45 million for the larger firm for years five through twenty. Production material costs are expressed as a percentage of sales and are also fixed across jurisdictions.

Brandon and Winnipeg yield the highest pre-tax net income for both the small and larger manufacturing firms. A talented, well-educated and productive labour force, low utility costs and lower than average start-up costs contribute to the cost advantages of operating a manufacturing plant in Manitoba.

Pre-Tax Net Income
Small Manufacturing Firm



Pre-Tax Net Income
Larger Manufacturing Firm



Effective Tax Rates

Effective tax rates are generated by computing gross taxes as a proportion of pre-tax net income over the 20-year period.

The following operating taxes are included in the analysis:

- corporation income taxes;
- local property and business taxes;
- corporation capital and U.S. franchise taxes;
- payroll taxes;
- workers' compensation premiums;
- statutory pension and unemployment insurance premiums; and
- employer-paid health premiums.

The following tax expenditures that benefit the manufacturing sector are also taken into account:

- investment tax credits;
- tax holidays;
- accelerated capital cost allowances; and
- preferential tax rates.

Not included in the model are the enterprise zones, grants, and other forms of governmental and third-party financial assistance programs.

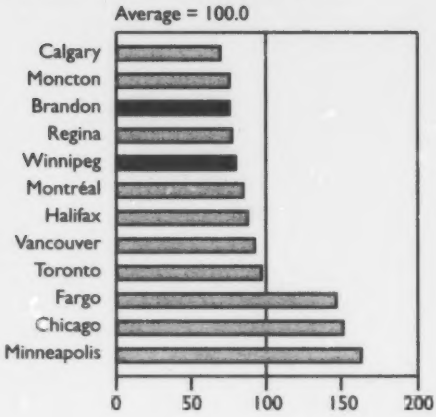
The effective tax rates in Manitoba are lower than the overall average. Among Canadian cities, Manitoba cities have lower than average effective tax rates among small manufacturing firms. They are about average for larger firms.

Overall Competitiveness

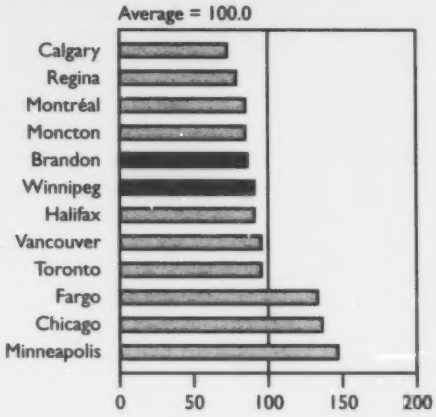
Overall competitiveness is measured by comparing internal rates of return. The internal rate of return is often used for business investment and location decision making. The following charts illustrate the combined effect of taxes and costs on the internal rates of return for the representative small and larger manufacturing corporations in the selected jurisdictions.

The internal rates of return for both Winnipeg and Brandon are better than the overall average of the cities included in the study.

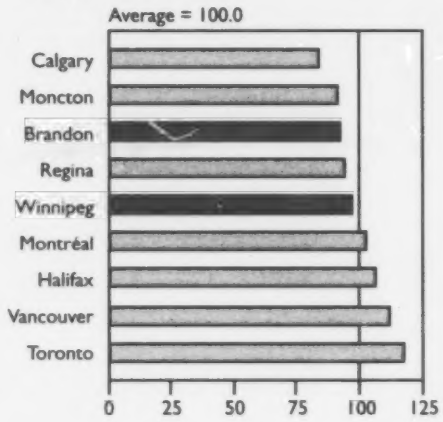
Effective Tax Rates
Small Manufacturing Firm



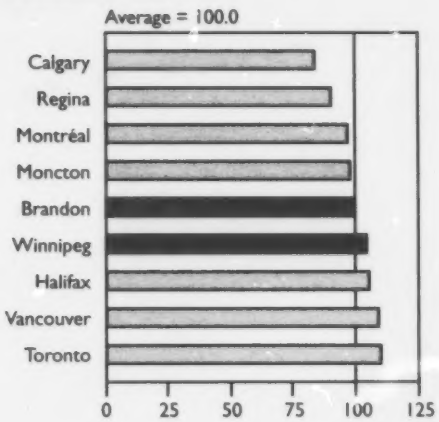
Effective Tax Rates
Larger Manufacturing Firm



Effective Tax Rates
Small Manufacturing Firm
Canadian Cities

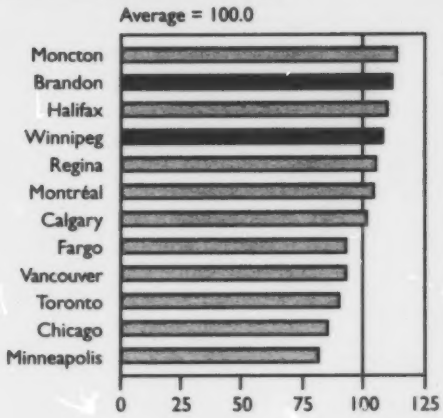


Effective Tax Rates
Larger Manufacturing Firm
Canadian Cities

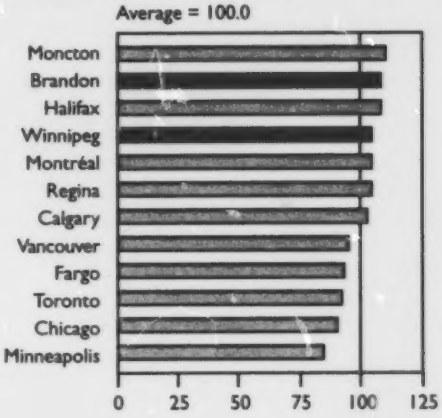


Brandon has the second-highest rate of return among all cities for both the small and larger manufacturing firms. Among cities with populations over 500,000, Montréal and Winnipeg have the highest internal rate of return for larger manufacturing firms, and Winnipeg has the highest rate of return for a small manufacturing firm.

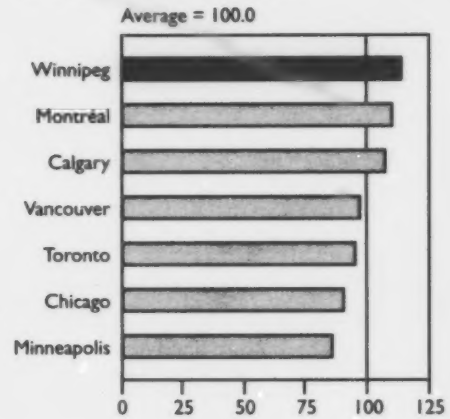
Internal Rates of Return
Small Manufacturing Firm



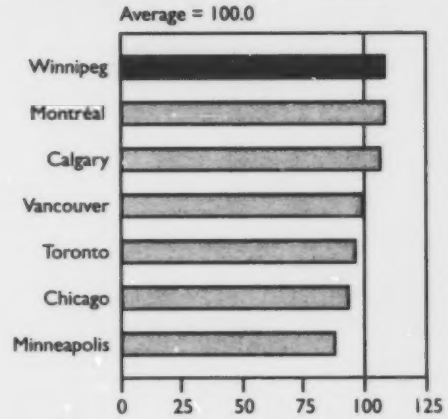
Internal Rates of Return
Larger Manufacturing Firm



Internal Rates of Return
Small Manufacturing Firm
in Cities over 500,000



Internal Rates of Return
Larger Manufacturing Firm
in Cities over 500,000



■ Conclusion

The above results are consistent with those shown in previous Budgets. Manitoba continues to maintain a highly competitive cost and taxation environment for both small and larger firms engaged in manufacturing and processing.

Appendix 2: 2002 INTERPROVINCIAL COMPARISON OF ANNUAL PERSONAL COSTS AND TAXES

Over the last three years, Manitoba's overall provincial rankings for personal costs and taxes have improved.

Across the board, Manitoba's performance has been quite strong. Manitoba's total cost advantage versus Alberta, Ontario and Nova Scotia improved in every one of the six representative family types; while its total cost advantage versus Prince Edward Island improved in five out of the six representative family types; and its total cost advantage versus British Columbia improved in four out of the six representative family types.

The 2001 Manitoba Budget introduced a revised interprovincial comparison of personal costs and taxes. To reflect Manitoba's changing family structure, the income used for the single-person comparison was changed to $30,000 and three new tables were added, showing costs for a single-parent family of two at $30,000 in income, a two-earner family of four at $60,000, and a two-earner family of five at $75,000 in income.

As well, for the first time, child care expenses were included in the living costs comparisons because these costs are a real and significant expense for families where both parents work, and because the level of child care fees is directly related to the level of government support.

The 2002 Interprovincial Comparison retains the improvements made in 2001. As well, the retail sales tax estimates have been recalculated, using the *2000 Survey of Household Expenditures* (Statistics Canada). Previous estimates were based on 1992 data. As a result of the recalculation, retail sales tax estimates across Canada have decreased.

Manitoba's top marginal tax rate is the fourth-lowest in Canada. Also, Manitoba's sales tax rate of 7% is still the second-lowest of all provinces that levy a retail sales tax.

The following charts show that Manitoba remains one of the most affordable provinces to live in Canada. The Manitoba Advantage includes moderate overall taxation levels, affordable housing, and low child-care, electricity and automobile insurance costs.

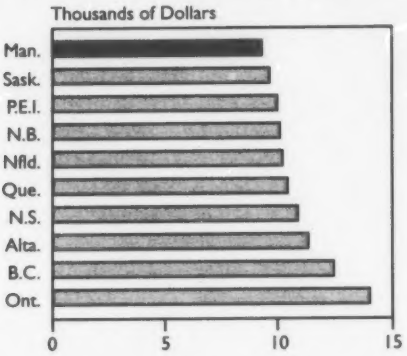
Low living costs* and personal taxes mean that all Manitobans are able to enjoy a high standard of living in relation to other parts of the country. This makes Manitoba a more competitive and attractive location for both new and expanding businesses.

A superior quality of living with lower personal costs and taxes is clearly an important part of The Manitoba Advantage.

* Includes rent or mortgage costs, property taxes, public transit costs or auto insurance, child care, telephone service, electricity and heating.

A single Manitoba taxpayer earning $30,000 pays the third-lowest provincial levies and the lowest combined taxes and living costs in the country.

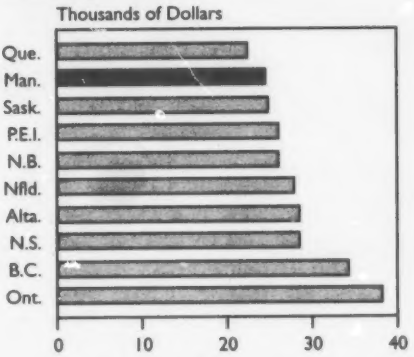
Annual Personal Costs and Taxes Single Person Earning $30,000*



*Includes income, retail sales tax, health premiums, rent, public transit costs, telephone service, electricity and heating.

A married couple with two dependent children earning $60,000 between them has the third-lowest provincial levies and the second-lowest combined taxes and living costs in the country.

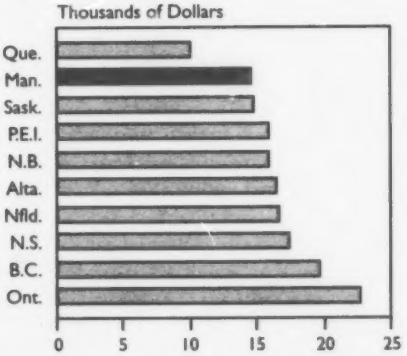
Annual Personal Costs and Taxes Two-Earner Family of Four Earning $60,000*



*Includes income, retail sales and gasoline taxes, health premiums, mortgage costs, child care, auto insurance, telephone service, electricity, heating and property taxes.

A single parent with one dependent child earning $30,000 has the fourth-lowest provincial levies and the second-lowest combined taxes and living costs in the country.

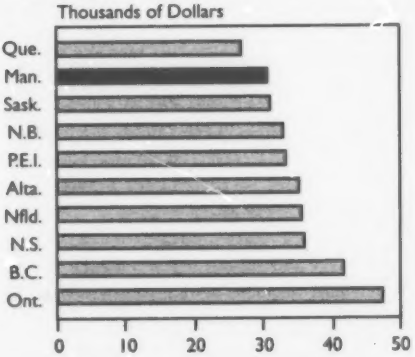
Annual Personal Costs and Taxes Single Parent with One Child Earning $30,000*



*Includes income, retail sales and gasoline taxes, health premiums, rent, auto insurance, telephone service, electricity, heating and child care.

A married couple with three dependent children earning $75,000 between them has the fifth-lowest provincial levies and the second-lowest combined taxes and living costs in the country.

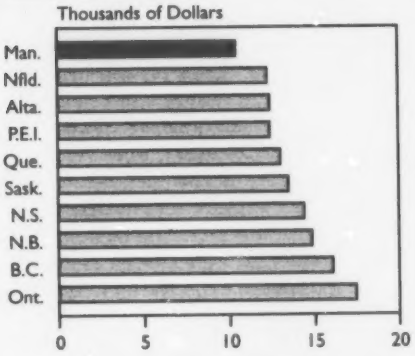
Annual Personal Costs and Taxes Two-Earner Family of Five Earning $75,000*



*Includes income, retail sales and gasoline taxes, health premiums, mortgage costs, child care, auto insurance, telephone service, electricity, heating and property taxes.

A married taxpayer earning $40,000 with a dependent spouse and two dependent children has the second-lowest provincial levies and the lowest combined taxes and living costs in the country.

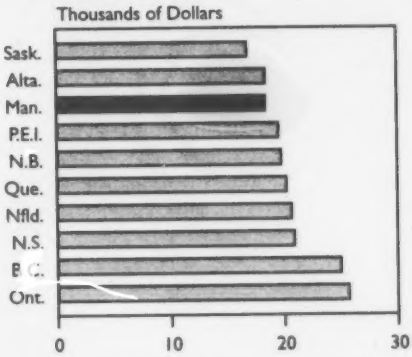
Annual Personal Costs and Taxes Single-Earner Family of Four Earning $40,000*



*Includes income, retail sales and gasoline taxes, health premiums, mortgage costs, auto insurance, telephone service, electricity, heating and property taxes.

A married taxpayer earning $60,000 with a dependent spouse and two dependent children has the fifth-lowest provincial levies and the third-lowest combined taxes and living costs in the country.

Annual Personal Costs and Taxes Single-Earner Family of Four Earning $60,000*



*Includes income, retail sales and gasoline taxes, health premiums, mortgage costs, auto insurance, telephone service, electricity, heating and property taxes.

2002 Comparison of Annual Personal Costs and Taxes

Single Person: $30,000	B.C.	Alta.	Sask.	**Man.**	Ont.
Provincial Income Tax	1,206	1,476	2,211	**1,830**	1,235
Health Premiums	648	528	0	**0**	0
Subtotal PIT and Premiums	1,854	2,004	2,211	**1,830**	1,235
Retail Sales Tax	446	0	322	**393**	498
Provincial Levies	2,300	2,004	2,533	**2,223**	1,733
Rent	8,712	7,788	5,712	**5,712**	10,392
Electricity	301	610	516	**320**	555
Transit Fares	756	660	576	**763**	1,122
Telephone	329	285	264	**300**	283
Living Costs	10,098	9,343	7,068	**7,095**	12,352
Total Costs	12,398	11,347	9,600	**9,318**	14,085

Single Parent One Child: $30,000	B.C.	Alta.	Sask.	**Man.**	Ont.
Provincial Income Tax	446	0	737	**268**	(215)
Health Premiums	0	634	0	**0**	0
Subtotal PIT and Premiums	446	634	737	**268**	(215)
Child Benefits	(179)	(484)	0	**0**	(1,070)
Retail Sales Tax	580	0	419	**511**	648
Gasoline Tax	340	180	300	**230**	294
Provincial Levies	1,187	330	1,456	**1,009**	(343)
Rent	11,028	9,360	6,816	**7,260**	12,324
Child Care	5,560	4,598	4,680	**4,680**	8,006
Electricity	388	746	635	**398**	683
Auto Insurance	1,144	1,049	876	**850**	1,695
Telephone	329	285	264	**300**	283
Living Costs	18,448	16,038	13,271	**13,488**	22,991
Total Costs	19,635	16,368	14,727	**14,497**	22,647

Sums may not add due to rounding.

Que.	N.B.	N.S.	P.E.I.	Nfld.	**Single Person: $30,000**
2,881	1,981	2,060	2,027	2,209	Provincial Income Tax
0	0	0	0	0	Health Premiums
2,881	1,981	2,060	2,027	2,209	Subtotal PIT and Premiums
576	676	650	704	669	Retail Sales Tax
3,457	2,657	2,709	2,731	2,878	Provincial Levies
5,760	6,060	6,648	5,595	5,868	Rent
356	530	502	609	497	Electricity
600	624	684	720	660	Transit Fares
283	264	300	293	263	Telephone
6,999	7,477	8,134	7,217	7,288	Living Costs
10,455	10,134	10,843	9,948	10,166	Total Costs

Que.	N.B.	N.S.	P.E.I.	Nfld.	**Single Parent One Child: $30,000**
(140)	884	782	926	969	Provincial Income Tax
0	0	0	0	0	Health Premiums
(140)	884	782	926	969	Subtotal PIT and Premiums
(80)	(159)	0	0	0	Child Benefit
748	879	845	915	869	Retail Sales Tax
334	260	310	280	330	Gasoline Tax
863	1,864	1,937	2,121	2,168	Provincial Levies
6,360	7,409	8,076	7,023	6,900	Rent
1,300	4,843	5,460	4,940	5,460	Child Care
427	643	627	739	598	Electricity
797	943	943	715	1,187	Auto Insurance
283	264	300	293	263	Telephone
9,167	14,101	15,406	13,710	14,408	Living Costs
10,030	15,965	17,343	15,832	16,576	Total Costs

2002 Comparison of Annual Personal Costs and Taxes

Single-Earner Family of 4: $40,000	B.C.	Alta.	Sask.	**Man.**	Ont.
Provincial Income Tax	1,625	1,079	2,165	**2,291**	1,658
Health Premiums	1,037	1,056	0	**0**	0
Subtotal PIT and Premiums	2,662	2,135	2,165	**2,291**	1,658
Child Benefits	0	(400)	0	**0**	0
Property Tax Credits	(470)	0	0	**(400)**	0
Retail Sales Tax	1,054	0	844	**964**	1,292
Gasoline Tax	340	180	300	**230**	294
Provincial Levies	3,586	1,915	3,309	**3,085**	3,244
Mortgage Costs	7,712	6,170	4,848	**2,918**	8,153
Property Tax	1,545	1,200	2,300	**1,647**	2,000
Home Heating	910	676	753	**842**	904
Electricity	561	1,018	873	**552**	939
Auto Insurance	1,352	1,186	1,084	**1,043**	1,920
Telephone	329	285	264	**300**	283
Living Costs	12,409	10,535	10,122	**7,302**	14,199
Total Costs	15,995	12,450	13,431	**10,386**	17,443

Single-Earner Family of 4: $60,000	B.C.	Alta.	Sask.	**Man.**	Ont.
Provincial Income Tax	3,455	3,079	4,815	**5,601**	3,488
Health Premiums	1,296	1,056	0	**0**	0
Subtotal PIT and Premiums	4,751	4,135	4,815	**5,601**	3,488
Child Benefits	0	0	0	**0**	0
Property Tax Credits	(470)	0	0	**(400)**	0
Retail Sales Tax	1,339	0	1,054	**1,279**	1,692
Gasoline Tax	340	180	300	**230**	294
Provincial Levies	5,960	4,315	6,169	**6,710**	5,474
Mortgage Costs	12,913	8,594	4,914	**5,487**	12,626
Property Tax	2,397	1,800	2,250	**3,000**	2,900
Home Heating	1,305	928	1,066	**1,202**	1,147
Electricity	734	1,290	1,112	**707**	1,195
Auto Insurance	1,352	1,186	1,084	**1,043**	1,920
Telephone	329	285	264	**300**	283
Living Costs	19,030	14,083	10,690	**11,740**	20,071
Total Costs	24,990	18,398	16,859	**18,450**	25,546

Sums may not add due to rounding.

Que.	N.B.	N.S.	P.E.I.	Nfld.	**Single-Earner Family of 4: $40,000**
1,567	2,688	2,894	2,699	3,119	Provincial Income Tax
0	0	0	0	0	Health Premiums
1,567	2,688	2,894	2,699	3,119	Subtotal PIT and Premiums
(160)	0	0	0	0	Child Benefits
0	0	0	0	0	Property Tax Credits
1,467	1,667	1,620	1,571	1,739	Retail Sales Tax
334	260	310	280	330	Gasoline Tax
3,208	4,615	4,824	4,550	5,188	Provincial Levies
4,407	5,289	4,976	3,526	3,107	Mortgage Costs
2,162	1,687	1,390	1,300	650	Property Tax
1,117	967	894	916	942	Home Heating
569	870	878	1,000	799	Electricity
1,283	1,056	1,114	890	1,304	Auto Insurance
283	264	300	293	263	Telephone
9,821	10,132	9,551	7,925	7,065	Living Costs
13,028	14,748	14,375	12,475	12,254	Total Costs

Que.	N.B.	N.S.	P.E.I.	Nfld.	**Single-Earner Family of 4: $60,000**
5,705	5,652	5,898	5,484	6,366	Provincial Income Tax
0	0	0	0	0	Health Premiums
5,705	5,652	5,898	5,484	6,366	Subtotal PIT and Premiums
0	0	0	0	0	Child Benefits
0	0	0	0	0	Property Tax Credits
2,004	2,382	2,099	2,074	2,260	Retail Sales Tax
334	260	310	280	330	Gasoline Tax
8,043	8,294	8,307	7,838	8,956	Provincial Levies
5,795	5,685	6,390	5,950	6,537	Mortgage Costs
2,350	1,831	2,200	1,800	1,233	Property Tax
1,675	1,450	1,341	1,374	1,412	Home Heating
724	1,097	1,128	1,261	1,001	Electricity
1,283	1,056	1,114	890	1,304	Auto Insurance
283	264	300	293	263	Telephone
12,111	11,382	12,473	11,568	11,751	Living Costs
20,153	19,677	20,779	19,406	20,708	Total Costs

2002 Comparison of Annual Personal Costs and Taxes

Two-Earner Family of 4: $60,000	B.C.	Alta.	Sask.	**Man.**	Ont.
Provincial Income Tax	1,996	2,034	3,239	**3,409**	1,851
Health Premiums	1,296	1,056	0	**0**	0
Subtotal PIT and Premiums	3,292	3,090	3,239	**3,409**	1,851
Child Benefits	0	0	0	**0**	0
Property Tax Credits	(470)	0	0	**(400)**	0
Retail Sales Tax	1,339	0	1,054	**1,279**	1,692
Gasoline Tax	510	270	450	**345**	441
Provincial Levies	4,671	3,360	4,743	**4,633**	3,984
Mortgage Costs	12,913	8,594	4,914	**5,487**	12,626
Property Tax	2,397	1,800	2,250	**3,000**	2,900
Child Care	9,360	9,705	8,463	**7,118**	12,419
Home Heating	1,305	928	1,066	**1,202**	1,147
Electricity	734	1,290	1,112	**707**	1,195
Auto Insurance	2,496	2,235	1,960	**1,893**	3,615
Telephone	329	285	264	**300**	283
Living Costs	29,534	24,837	20,029	**19,708**	34,186
Total Costs	34,205	28,197	24,772	**24,341**	38,169

Two-Earner Family of 5: $75,000	B.C.	Alta.	Sask.	**Man.**	Ont.
Provincial Income Tax	2,759	2,913	4,258	**4,674**	2,511
Health Premiums	1,296	1,056	0	**0**	0
Subtotal PIT and Premiums	4,055	3,969	4,258	**4,674**	2,511
Child Benefits	0	0	0	**0**	0
Property Tax Credits	(470)	0	0	**(400)**	0
Retail Sales Tax	1,674	0	1,430	**1,677**	2,013
Gasoline Tax	510	270	450	**345**	441
Provincial Levies	5,768	4,239	6,138	**6,296**	4,965
Mortgage Costs	12,913	8,594	4,914	**5,487**	12,626
Property Tax	2,397	1,800	2,250	**3,000**	2,900
Child Care	15,740	15,735	13,383	**11,798**	20,425
Home Heating	1,305	928	1,066	**1,202**	1,147
Electricity	734	1,290	1,112	**707**	1,195
Auto Insurance	2,496	2,235	1,960	**1,893**	3,615
Telephone	329	285	264	**300**	283
Living Costs	35,914	30,867	24,949	**24,388**	42,192
Total Costs	41,682	35,106	31,086	**30,684**	47,156

Sums may not add due to rounding.

Que.	N.B.	N.S.	P.E.I.	Nfld.	**Two-Earner Family of 4: $60,000**
4,593	3,453	3,532	3,501	3,858	Provincial Income Tax
0	0	0	0	0	Health Premiums
4,593	3,453	3,532	3,501	3,858	Subtotal PIT and Premiums
0	0	0	0	0	Child Benefits
0	0	0	0	0	Property Tax Credits
2,004	2,382	2,099	2,074	2,260	Retail Sales Tax
501	390	465	420	495	Gasoline Tax
7,098	6,225	6,096	5,995	6,613	Provincial Levies
5,795	5,685	6,390	5,950	6,537	Mortgage Costs
2,350	1,831	2,200	1,800	1,233	Property Tax
2,505	7,544	8,970	7,781	8,260	Child Care
1,675	1,450	1,341	1,374	1,412	Home Heating
724	1,097	1,128	1,261	1,001	Electricity
2,080	1,999	2,057	1,605	2,491	Auto Insurance
283	264	300	293	263	Telephone
15,413	19,869	22,386	20,064	21,198	Living Costs
22,510	26,094	28,482	26,059	27,811	Total Costs

Que.	N.B.	N.S.	P.E.I.	Nfld.	**Two-Earner Family of 5: $75,000**
6,882	4,838	4,870	4,786	5,303	Provincial Income Tax
0	0	0	0	0	Health Premiums
6,882	4,838	4,870	4,786	5,303	Subtotal PIT and Premiums
0	0	0	0	0	Child Benefits
0	0	0	0	0	Property Tax Credits
2,615	2,900	2,740	2,881	3,043	Retail Sales Tax
501	390	465	420	495	Gasoline Tax
9,999	8,128	8,074	8,087	8,841	Provincial Levies
5,795	5,685	6,390	5,950	6,537	Mortgage Costs
2,350	1,831	2,200	1,800	1,233	Property Tax
3,805	12,386	14,430	12,721	13,720	Child Care
1,675	1,450	1,341	1,374	1,412	Home Heating
724	1,097	1,128	1,261	1,001	Electricity
2,080	1,999	2,057	1,605	2,491	Auto Insurance
283	264	300	293	263	Telephone
16,713	24,711	27,846	25,004	26,658	Living Costs
26,711	32,839	35,920	33,091	35,500	Total Costs

NOTES

Taxes, charges and living costs are based on information available on April 4, 2002, for the following major urban centres in each province: Vancouver, Calgary, Regina, Winnipeg, Toronto, Montréal, Fredericton, Halifax, Charlottetown and St. John's.

Provincial Income Tax is calculated for a single renter with $30,000 earned income, a single parent with one child who rents and has $30,000 in earned income, and four homeowners with $40,000, $60,000 and $75,000 of earned income, respectively. The homeowner families include one income earner, a spouse and two dependent children (ages 3 and 7); two income earners and two dependent children (ages 3 and 7); or two income earners and three dependent children (ages 3, 5 and 7). For two-earner families, one spouse is assumed to earn 60% of the family income, while the other spouse earns 40%. Personal non-refundable credits used include the CPP/QPP and EI contribution credits. For the single parent, child-care costs unique to each province have been deducted from income. For two-earner families, child-care costs unique to each province have been deducted from the income of the spouse with the lower income. Gross Quebec Personal Income Tax has been reduced by the 16.5% abatement from federal income tax. Refundable sales tax credits and provincial tax reductions have been deducted from income tax payable. Rental credits are included in income tax, but property tax credits are shown as a separate line.

Child Benefits represent provincial programs comparable to the Canada Child Tax Benefit and include earned income supplements where applicable.

Retail Sales Tax is based upon an average expenditure basket at the selected gross income levels from the *2000 Survey of Household Expenditures* (Statistics Canada), inflated to 2002 values and adjusted for family size.

Gasoline Tax is based on annual consumption of 2,000 litres for single-vehicle families, and 3,000 litres for the two-earner families at $60,000 and $75,000; this includes the 6.0 cents per litre transit levy imposed in Vancouver, and the 1.5 cents per litre levy imposed in Montréal.

Health Premiums are annual premiums for hospital insurance and medical services in provinces which levy them (Alberta and British Columbia).

Mortgage Costs are based on one-half the average home prices for a standard townhouse for families with $40,000 of income, or a standard two-storey for families with $60,000 and $75,000 of income, per the Royal LePage *Survey of Canadian House Prices*, Fourth Quarter 2001, for a 25-year term, amortized at a five-year interest rate of 7.30%.

Property Taxes are based on the average gross property taxes for a standard townhouse for families with $40,000 of income, or a standard two-storey for families with $60,000 and $75,000 of income, per the Royal LePage *Survey of Canadian House Prices*, Fourth Quarter 2001.

Rent is from Canada Mortgage and Housing Corporation's *Rental Market Survey*, October 2001, and is based on average one-bedroom apartment rents for each urban centre for the single person, and average two-bedroom apartment rents for the single-parent family.

Child Care is based on average fees for full-time preschool care for the three-year old and the five-year old, before and after school care for the seven-year old, and six weeks of summer day camp for the seven-year old. Quebec figures are based on the $5 per day child-care program. Average fees

were based on *Early Childhood Care and Education in Canada: Provinces and Ter.itories* (Childcare Resource and Research Unit), and were updated by a telephone and Internet survey of different cities.

Auto Insurance for two-parent families is based on a 2000 Ford Taurus LX. Coverage includes $1 million third-party liability, and $200 all-perils deductible in British Columbia, Saskatchewan and Manitoba; $250 all-perils deductible in Alberta, Quebec, New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland and Labrador; $300 all-perils deductible in Ontario. The driver is married, age 30 and has been accident-free for seven or more years; the auto is driven to work (15 km, one way). The two-earner families with $60,000 and $75,000 of income also insure a 1996 Chevrolet Cavalier, with identical coverage and driver risk rating as the Ford Taurus. The single-parent family is based on the 1996 Chevrolet Cavalier. Rates for British Columbia, Saskatchewan and Manitoba are supplied by Manitoba Public Insurance; rates in other urban centres are the average of between 8 and 12 of the larger insurers.

Transit Fares are based on adult (single zone) monthly pass rates in effect in April 2002. The Charlottetown fare is based on adult tickets for 240 working days.

Home Heating charges are based on annual consumption of 2,300 cubic metres of natural gas for the standard townhouse, and 3,450 cubic metres of natural gas for the standard two-storey. For the Atlantic Provinces, the figures represent the BTU equivalent consumption of heating fuel oil.

Electricity charges are based on annual consumption of 9,000 kWh for the two-parent family at $40,000; 12,000 kWh for the two-parent family at $60,000 and $75,000 of income; 6,000 kWh for the single-parent family; and 4,500 kWh of usage for the tenant. Rates do not include municipal taxes or charges, and are based on residential rates in effect from April 2002.

Telephone Charges are the basic service rates for individual residences.

The followin
The Report on Consolidated Op
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of the 2002 Manitoba Budget. T
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the Fiscal Stabilization Fund. T
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■ Report on Consolidated Operations/ Summary Budget Forecast

The Report on Consolidated Operations provides information on the entire Government entity, including Government enterprises and organizations which deliver Provincial Government services.

The Operating Fund

The Operating Fund reflects the central operations of Government, and is the basis for the Estimates process and appropriations voted by the Legislature. The Operating Fund posted a surplus of $137 million in the 2000/01 fiscal year, and is projected to have a $121 million surplus for the 2001/02 fiscal year. This Budget projects a surplus for the Operating Fund of $13 million for the current year.

	2002/03 Budget	2001/02 3Q-Forecast	2001/02 Budget	2000/01 Actual
Operating Fund Balance	13	121	46	137

Interfund Transfers/Debt Retirement

For the fiscal year 2001/02, it will not be necessary to make any draw on the Fiscal Stabilization Fund. For the first time, there will be back-to-back years without a draw on the Fund. Given the lower revenue track resulting from the federal accounting error and the economic downturn in 2001, this Budget proposes a draw of $93 million for the 2002/03 fiscal year.

	2002/03 Budget	2001/02 3Q-Forecast	2001/02 Budget	2000/01 Actual
Debt Retirement Payment	(96)	(96)	(96)	(96)
Fiscal Stabilization Fund	93	0	60	0
Total Interfund Transfers	(3)	(96)	(36)	(96)

Balance Under Balanced Budget Legislation

Under balanced budget legislation, payments to the Debt Retirement Fund, and payments to or withdrawals from the Fiscal Stabilization Fund, are included to arrive at a balance. This balance must be positive to comply with the provisions of the balanced budget act. The balance will be positive for the eighth consecutive year. A positive balance of $10 million is projected.

	2002/03 Budget	2001/02 3Q-Forecast	2001/02 Budget	2000/01 Actual
Balance Under Balanced Budget Legislation	10	25	10	41

Transfer To The Fiscal Stabilization Fund

Consistent with balanced budget legislation, the balance is deposited to the Fiscal Stabilization Fund.

	2002/03 Budget	2001/02 3Q-Forecast	2001/02 Budget	2000/01 Actual
Transfer to The Fiscal Stabilization Fund	(10)	(25)	(10)	(41)

Special Funds – Change in Balances

There are a number of special funds created by the Legislature for specific purposes. The two principal funds are the Fiscal Stabilization Fund and the Debt Retirement Fund. There are also a number of small, special-purpose funds (such as Mining Community Reserve Fund and Quarry Rehabilitation Reserve), which combined are projected to have little effect on the overall balance.

	2002/03 Budget	2001/02 3Q-Forecast	2001/02 Budget	2000/01 Actual
Debt Retirement Fund	79	25	79	75
Fiscal Stabilization Fund	(74)	39	(33)	56
Other	(1)	0	0	1
Total Special Funds	4	64	46	132

Government Enterprises and Crown Corporations

This Report notes the net changes in the operating balances of Government enterprises and Crown corporations during the fiscal year. The totals for Manitoba Hydro reflect both the payments to the operating fund in 2001/02 and 2002/03, and a projected change in net earnings from $209 million in 2001/02 to $106 million in 2002/03. Accumulated retained earnings in Manitoba Hydro will continue to increase. Lower net earnings are also projected for 2001/02 for the Manitoba Public Insurance Corporation due to lower investment income and higher claims. A negative balance for 2002/03 with respect to other enterprises and Crown corporations primarily reflects the projected use of $28 million of accumulated reserves of the Manitoba Crop Insurance Corporation to assist Manitoba farmers.

	2002/03 Budget	2001/02 3Q-Forecast	2001/02 Budget	2000/01 Actual
Manitoba Hydro	31	59	99	270
Manitoba Public Insurance Corp.	5	(16)	38	46
Others	(35)	(14)	(14)	106
Total Enterprises & Crown Corps.	1	29	123	422

Balance Before Pension Items

The Consolidated Balance before consideration of the pension liability will be in surplus for the fourth consecutive year. The Consolidated Net Income, before consideration of the pension liability, would total $652 million for the period 2000/01 through 2002/03.

	2002/03 Budget	2001/02 3Q-Forecast	2001/02 Budget	2000/01 Actual	3-year Total
Net Income Before Pension Items	5	93	169	554	652

Pension Liability and the Pension Assets Fund

Upon coming into office, our Administration put into place a plan to retire the General Purpose Debt and to eliminate the Government's pension liability. Prior to this, it was projected that pension liability would grow to $8.4 billion by 2028, and would continue to grow after that.

The Government continues to take concrete action toward increasing the sustainability of Provincial finances through improvements to plans to repay the long-term debt and pension liability of the Government.

The 2000 Manitoba Budget introduced a comprehensive approach to address both debt and pension obligations. This involved:

- continuation of payments of retiree pension obligations;
- continuation of the provision for debt repayment; and
- inclusion of amounts within debt retirement allocations sufficient to equal employee contributions for civil servants and teachers hired on or after April 1, 2000.

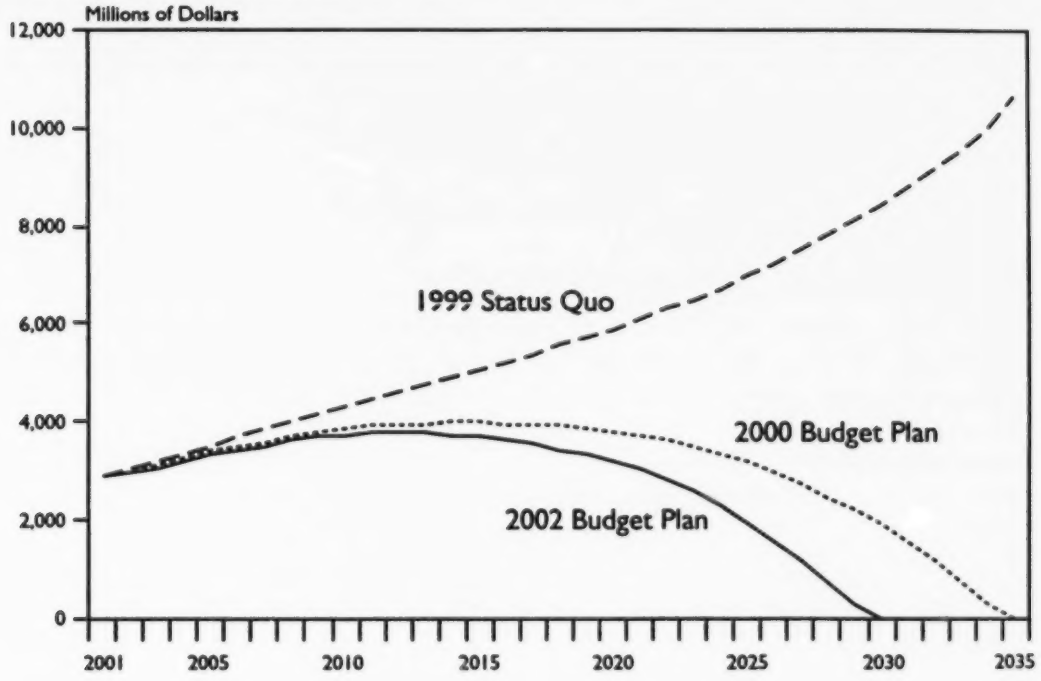
The 2001 Budget continued these measures, and $21 million from the $96 million allocation to the Debt Retirement Fund was budgeted for the Pension Assets Fund. The Debt Retirement Fund Allocation Committee increased the allocation to the pension liability to $75 million in 2001/02, and correspondingly reduced the allocation against General Purpose Debt to $21 million from the $75 million budgeted. Reflecting better pension investment returns, this change will improve the impact of the $96 million allocation by an estimated $5 million by March 31, 2005, and by $51 million by March 31, 2030.

In 2002/03, $96 million will be paid into the Debt Retirement Fund, and directed to the most appropriate purpose by the Debt Retirement Fund Allocation Committee. Based on the anticipated deposits, together with earnings, the Debt Retirement Fund is projected to grow by $80 million, and the Pension Assets Fund by $29 million in this fiscal year. The funds deposited in the Pension Assets Fund are invested with the Civil Service Superannuation Fund and the Teachers Retirement Allowances Fund. Interest earned on these investments is credited to the Pension Assets Fund.

In this Budget, the Government is once again acting to reduce the term over which the pension liability will be eliminated. In addition, beginning October 1, 2002, departments and agencies will be required to fund matching contributions for their new employees from within existing resources. It is anticipated that the requirement will be slightly under $1 million in 2002/03, $4 million in 2003/04 and approximately $6 million in 2004/05.

These measures, when taken together, are expected to ensure that the pension liability that built up over 40 years will begin to decline starting in 2013 and will accelerate payment of the pension liability by an additional five years from the 2000 Budget Plan. In addition, both the General Purpose Debt and the pension liability will be eliminated by 2036 – four years earlier than projected in the 2000 Budget Plan.

Pension Liability Retirement Plan



Year Ending March 31	1999 Status Quo	2000 Budget Plan	2002 Budget Plan
		(Millions of Dollars)	
2001	2,880	2,857	2,857
2005	3,517	3,392	3,325
2010	4,324	3,868	3,739
2015	5,073	3,998	3,706
2020	5,900	3,802	3,191
2025	6,978	3,153	1,926
2030	8,438	1,887	0
2035	10,647	0	0

Source: Manitoba Department of Finance

Summary

	2002/03 Budget	2001/02 3Q-Forecast	2001/02 Budget	2000/01 Actual	3-year Total
Net Income Before Pension Items	5	93	169	554	652
Increase in Pension Liability	(167)	(156)	(156)	(144)	(467)
Increase in Pension Assets Fund	29	76	23	21	126
Consolidated Net Income (Expenditure)	(133)	13	36	431	311

After consideration of the pension liability and the Pension Assets Fund, this Budget projects a net expenditure of $133 million for the entire Manitoba Government operating entity. Over the three-year period from 2000/01 through 2002/03, it is projected that the entire Government entity will record net revenue of $311 million. Major factors for the decline in 2002/03 include significant reductions in income tax revenues, lower projected Hydro revenue and payments to farmers from accumulated reserves of the Manitoba Crop Insurance Corporation. On a comparative year-over-year basis, earlier results were augmented by payments resulting from the federal accounting error. (In fiscal year 2001/02, the federal government recovered $168 million related to mutual trust fund refunds. A further $112 million of mutual trust fund tax refunds are estimated as the amount to be assessed and recovered in 2002/03. The 2002 Budget reflects calculations of offsetting amounts, which may be received in Equalization or other payments for the 2001/02 and 2002/03 fiscal years under a settlement of the federal error issue.)

Taken together, these items reflect the entire operations of the Government. The Government's financial stewardship is directed toward ensuring the long-term sustainability of the services to Manitobans. Much has already been accomplished. The strength of Manitoba's Crown corporations and enterprises is expected to continue to contribute to the long-term sustainability of services delivered to Manitobans by their Government. This Budget, including the new measures to ensure earlier elimination of all debt and pension obligations, provides a more solid foundation for a sustainable future.